CA2ALZ 1
54M22E
Vol 24

Commission (2)

LIBRARY
VAULT

ALBERTA PROVINCIAL LIBRARY

ALBERTA LEGISLATURE LIBRARY
3 3398 00207 2881

The Province of Alberta

THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF EDMONTON AND CALGARY

DR. G. FRED McNALLY,
(Chairman)

G. M. BLACKSTOCK, Esq., Q.C.

PERCY G. DAVIES, Esq., Q.C.

IVAN C. ROBISON, Esq.

CHARLES P. HAYES, Esq.

DR. H. B. MAYO
(Consulting Economist)

Wm. McGRUTHER, Esq.
(Commission Secretary)

PROCEEDINGS

DATE January 12th, 1955.

VOLUME 24

The Court House
EDMONTON - ALBERTA
SUPREME COURT REPORTERS, EDMONTON

ALBERTA PROVINCIAL LIBRARY

VOLUME 24

January 12th, 1955.

INDEX

WITNESSES:

G. A. GAHERTY

Examination by Mr. Noland 2968
Examination by Mr. Brownlee 2992
Examination by Mr. Garside 2997
Examination by Mr. Moffat 3012
Examination by Mr. Blackstock ... 3025
Examination by Mr. Robison 3027
Examination by Mr. Davies 3033
Examination by Mr. Hayes 3049

DARREL ADRIAN HANSEN

Examination by Mr. Nolan 3053
Examination by Mr. Davies 3056
Examination by Mr. Blackstock ... 3058
Examination by Mr. Robison 3061

CECIL MONAGHAN

Examination by Mr. Garside 3066
Examination by Mr. Blackstock ... 3071
Examination by Mr. Garside 3072
Examination by Mr. Blackstock .. 3073
Examination by Mr. Harries 3074
Examination by Mr. Davies 3074

JAMES CLARK

Examination by Mr. Park 3080
Presentation of Brief 3082
Examination by Mr. Park 3092
Examination by Mr. Robison 3097

Discussion 3098

VOLUME 24

January 12th, 1955.

EXHIBITS

No.	Description	Filed at
146E	Submission on behalf of Calgary Power Limited	2970
147E	Document entitled Cost Comparison for Domestic Service	3057
148E	Document entitled Comparison of the Number of Consumers by Class of Service	3057
149E	Calgary Power Limited Exhibit A, Regulation of Municipal and Public Utilities	3062
150E	Copies of Franchise and Permissive Orders Granted in Edmonton Area ..	3063
151E	Brief of the Town of Fort Saskatchewan and Plan	3081

THE SITTINGS OF THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF CALGARY AND EDMONTON, held at the Court House, Edmonton, Alberta, on Wednesday, the 12th day of January, A.D. 1955, at 9:45 a.m.

THE CHAIRMAN: Now then, Mr. Nolan, I think this was the hour we set for your appearance, wasn't it?

MR. NOLAN: This is the hour, sir.

THE CHAIRMAN: Are you prepared to go on?

MR. NOLAN: We are prepared to go on and we are very much obliged to the Commission for meeting our convenience, and without more ado I will introduce Mr. Gaherty to the Commission and he will be sworn please.

GEOFFREY ABBOTT GAHERTY, having first been duly sworn, was examined and testified as follows:

MR. NOLAN EXAMINES THE WITNESS:

MR. NOLAN: I understand, Mr. Chairman, that the witnesses are permitted to sit down during their evidence?

THE CHAIRMAN: Surely.

MR. NOLAN: If you prefer, you may sit, Mr. Gaherty.

THE CHAIRMAN: I hope Mr. Gaherty won't object to my calling him Dr. Gaherty? I remember a very interesting occasion in which he figured prominently.

MR. NOLAN: I am sure he would be very flattered.

Q MR. NOLAN: Mr. Gaherty, where do you reside?

A Montreal, Westmount.

Q What is your occupation?

A Civil engineer.

Digitized by the Internet Archive
in 2021 with funding from
Legislative Assembly of Alberta - Alberta Legislature Library

https://archive.org/details/ableg_33398002072881_0

Q And what is your academic background?

A Bachelor of Engineering, Dalhousie University 1909.

Q And since graduation what experience have you had in the practice of your profession?

A Prior to the first war, for four and a half years I worked for Western Canada Power Company, British Columbia.

Q Yes?

A And since then after the first war I worked for Montreal Engineering Company and the Calgary Power Company.

Q So you have been identified with Calgary Power Company?

A Since 1919.

Q Have you had anything to do with the planning of that company so far as its power development is concerned?

A Almost entirely all my efforts.

Q And would you just in a moment enumerate some of the projects which have been developed by the company since you became associated with it, only mentioning them by name, if you would?

A Yes.

Q The first, of course, was Horseshoe?

A No, I had nothing to do with Horseshoe or Kananaskis or the early storage at Lake Minnewanka.

Q You came in in the Ghost?

A Yes, the Ghost was the first; Cascade, Spray, Barrier, Kananaskis.

Q Yes, and the development is still going on?

A Yes, still proceeding, also the development of the transmission lines.

Q Mr. Gaherty, you were asked to come here to make a submission on behalf of your company to this Commission, and you are the President of Calgary Power Limited?

A Yes.

Q Have you prepared a submission?

A I have.

Q And is that the document you have before you?

A This is the document.

MR. NOLAN: May that be given an exhibit number, Mr. Chairman, please?

THE CHAIRMAN: What is the number, Mr. McGruther?

MR. McGRUTHER: One hundred and forty-six.

THE CHAIRMAN: One hundred and forty-six - E.

SUBMISSION ON BEHALF OF CALGARY POWER LIMITED IS ENTERED AND MARKED EXHIBIT 146-E.

Q MR. NOLAN: Mr. Gaherty, will you be good enough to read to the members of this Commission the submission which you have prepared and which has been marked as 146-E, beginning with the introduction.

A "Two-thirds of the electric load and one-half of the consumers of electricity in the Province of Alberta are supplied by Calgary Power Ltd. either directly or through wholesale channels. Of the Company's sales of electric energy, over 80% are in bulk to cities

A (Cont'd)"and industries, nearly half of this to industries in the so-called metropolitan areas surrounding the cities of Calgary and Edmonton."

Q I am not going to interrupt you very often, Mr. Gaherty, but I would like to ask you at this stage, what is your conception of a metropolitan area?

A I have used the term here loosely to describe the area outside the city limits of Edmonton.

Q Yes, I understand it has been described as that area which comprises within itself the area of the city within its limits and the outside area.

A Strictly speaking I think that is the metropolitan area, but I have used it loosely in the other sense.

Q I mention that now so that we may be clear.

THE CHAIRMAN: Thank you.

Q Please go on.

A "This bulk load provides the base which, by reducing the cost of generation and main transmission below what it would otherwise have been, has enabled the Company to extend its service far and wide.

The Company's mainsubstation supplying the northern part of its system is located in the metropolitan area of Edmonton together with transmission lines leading in and out. Under Permissive Orders from the Board of Public Utility Commissioners, the Company has built distribution facilities designed to provide for the present and future needs of all retail and indust-

A (Cont'd) "rial customers in the area, and not just a selected few. Expenditures of some 15 million dollars including those on the Wabamun Steam Plant, are involved. In issuing securities the approval of the Board has been obtained, and the Company in its program has complied with all other legal requirements. A large part of the Company's industrial load comes from this area. Its loss would result in a sharp rise in the cost of providing service to other customers, and would be bound to impede further extension in the marginal areas of the province.

DEVELOPMENT OF COMPANY'S GENERATING FACILITIES

The development of the Company's operations to their present stage has been a long uphill fight, one that required great faith in the future of the Province. With the completion of the initial installation of the Horseshoe Plant the Company started operations in May 1911, supplying the Canada Cement Company, the Village of Cochrane and the City of Calgary with part of its requirements wholesale. The completion of the Horseshoe Plant and the construction of a small reservoir at Lake Minnewanka and of the Kananaskis Plant followed in rapid succession.

A (Cont'd) "These plants were seriously handicapped by lack of reservoirs to store water for use during the winter months of low river flow. Furthermore the low winter flow was at times drastically reduced for periods lasting several days, through the river choking up with ice in severe weather. As the headponds at the plants did not have sufficient storage to tide over these emergencies, the City of Calgary at such times had to rely largely on its Victoria Park Steam Plant.

Studies by the Company disclosed the combined power and storage possibilities of the Spray and Cascade sites, but the Company was refused permission to develop either of these since both were then in the Banff National Park. By 1928 the growth of the City of Calgary's load necessitated the Company developing the Ghost site. This site was the only one then available with sufficient storage immediately adjacent to tide over temporary emergencies due to ice conditions. Though sufficient for this purpose and for carrying peak loads, the storage was, however, insufficient to enable operation of the plant at full capacity for more than a few weeks during the winter period of low water flow. Completion of the Ghost Plant, therefore, left the Company with a large

A (Cont'd) "amount of secondary energy available during the summer, but short of water during the winter months. To offset this, the Company entered into contracts with the cities of Lethbridge and Edmonton, supplying them with low cost energy during the summer months when their fuel costs were high, and purchasing off-peak energy from them during the winter months, in order to conserve its water supply for use during the heavy load periods of the winter days. The Company bore the entire cost of the interconnections. About this time, however, economic conditions arrested the industrial development of the Province, and the Company for a number of years had a large surplus of unmarketable power.

Early in the second war when there was an acute power shortage elsewhere, ammonia, requiring power for its manufacture, was badly needed for making explosives. Through the co-operation of the City of Edmonton in exchanging off-peak energy for secondary energy and by proceeding with the Cascade Development as a war measure, it was possible to supply the full requirements of this large war industry and so bring to Alberta the first of the petro-chemical industries.

It was expected that the war would be followed by a sharp recession and that the Ammonia Plant would close down. The

A (Cont'd) "reverse, however, took place, and the Company therefore, proceeded with the construction of the Spray Development, this Spray area previously having been removed from the Banff Park. In the interim the Company had to purchase a large quantity of off-peak energy from the City of Edmonton, which, incidentally, added over one million dollars to the City's income.

Following the discovery of the Leduc and Redwater oil fields, the Company's load was substantially augmented by the establishment of oil refineries and petro-chemical industries in the metropolitan area of Edmonton. To strengthen its supply in the North, the Company constructed a second high voltage transmission line to the Edmonton area and is now building the initial unit of a major steam plant at Wabamun.

The large storage benefits of the Cascade and Spray projects, together with the taking advantage of every opportunity to save money, such as the use of single unit hydro-electric plants and the adoption of automatic and remote control of plants, enabled the Company to keep its production costs down. As a result, the Company is now selling power for industrial

A (Cont'd) "purposes at rates among the lowest in Canada.

DEVELOPMENT OF COMPANY'S TRANSMISSION AND DISTRIBUTION FACILITIES

Following the first war, a demand existed for electric service in the towns and villages throughout Alberta. Those that had service at all were supplied from small local plants costly to operate, in many cases evening service only being provided. By reason of the size of the Company's load, its production costs were relatively low. The Company, therefore, in 1925 undertook a program of expansion and extended its transmission lines to many towns and villages both North and South of Calgary. The 24 hour service the Company provided and the sharp reduction in rates constituted a striking advantage to the customer but, as the depression and drought intervened, the financial results to the Company were disappointing. Domestic rates, for example, which before the advent of the Company's service had averaged 20 cents per Kilowatthour, were reduced to an average of less than 10 cents by 1931.

The Company had surplus hydro power available which could be passed on to retail customers at little additional

A (Cont'd) "cost. It, therefore, from time to time made further adjustments in its rate schedules, all with the view to giving the customer more for his money, with the result that by 1950 the average cost per kilowatthour to domestic customers was down to three cents.

In an endeavour to find sufficient revenue to cover the high carrying charges of transmission and distribution facilities in such sparsely settled territory, the Company put on an intensive campaign to round up all possible load. Nearly all the coal mines that could be reached were soon connected, the Company in some cases financing the cost of conversion. In the depth of the depression the Company, with the co-operation of the elevator companies and the electrical manufacturers, converted the bulk of the country grain elevators to electric drive, much to the joy of the elevator agents, power being sold at so much per thousand bushels of grain handled.

In building to the larger towns, the Company had extended its service to the smaller villages and hamlets on the way. The sparsity of population made the capital and operating costs high in relation to the rates that could be charged. While it brought the Company no net gain, it

A (Cont'd) "did result in bringing electric service to many customers who otherwise would have had to wait indefinitely.

The Company made strenuous efforts to interest farmers in electric service, and as far back as 1928 built an experimental rural system serving some 30 customers in the High River - Vulcan area, the rates offered being much the same as today. However, the response was discouraging, as only in exceptional cases were the farmers alive to the benefits of, and economically in a position to take advantage of labor saving appliances made possible by the service. The war experience brought home to all an appreciation of labor saving devices. The Company realized that a general demand for electric service would soon develop. Experimental rural systems on a much larger scale were therefore designed and constructed on the basis of making service available to all farmers within the area. The program of rural development by co-operatives that followed was laid out with a view to providing complete area coverage in the territory served by the Company.

DEVELOPMENT OF ELECTRIC SERVICE IN THE METROPOLITAN AREA

When the Company's lines reached Edmonton in 1930, the only load the City was supplying outside its limits

A (Cont'd) "was a few coal mines, a few domestic and farm services off these lines, and a short extension out the Fort Saskatchewan Trail. In most cases the lines had been provided at the expense of the customer, and the rates charged were substantially higher than those in the City. There was then little demand in the metropolitan area for retail service at rates necessary to support the cost of providing it. The only other load then offering - some smallcoal mines and a few rurals - was promptly serviced by the Company."

I should have said "city" instead of "Company" at the beginning, sir.

THE CHAIRMAN: Yes.

A "The first agreement between the City and the Company, which was for five years, provided among other things that the City would transmit the Company's power from the City's Steam Plant over the City's ring main to the Company's substations at Beverly and Calder, from whence the Company transmitted the power to towns and villages North, East, and West of Edmonton. When this contract expired in 1935 it was not renewed by the City, thus forcing the Company to re-arrange its facilities so that these

A (Cont'd) "towns could be supplied independently of the City. As a consequence, the Company had to build a nine-mile line skirting the city limits between its Beverly and Calder substations, thus providing the Company with much better facilities than the City possessed for supplying customers in the sparsely settled fringe area both within and without the city limits. To reach such customers the City would, in most cases, have to make long extensions to low voltage feeders.

For the next few years the City seemingly had no set policy regarding extensions beyond its limits. During the war it made such an extension at Federal Government request and expense to serve the Namao Airport, crossing a Company's line to do so, picking up from time to time such other customers as could be served at low cost."

Gentlemen, I understand that the City has subsequently purchased that line from the Government. I didn't know that at the time this was written.

"In 1944 the City sold the Company a small distribution system serving Jasper Place, and shortly after, the town of Beverly granted the Company a franchise, the City having refused to extend service.

When it became evident that a demand had sprung up for area wide service on the

A (Cont'd) "outskirts of the City, the Company obtained permissive orders from the Public Utility Board and set out to develop the necessary distribution facilities so that all those outside the city limits desiring service could obtain it. While of minor importance in the company's operations as a whole, the extensions of the city to selected customers beyond the City limits are, however, impeding the orderly development of area coverage.

From 1930 on, the Company has been well set up with heavy transmission lines in the metropolitan area, whereas the City has not. With the discovery of oil at Leduc and Redwater, the Company realized that oil refineries and related industries would be likely to be built outside the city limits to the East. The Company therefore arranged to have power available wherever required for the construction of such plants and their subsequent operation.

As the business expanded, the Company has strengthened its facilities wherever necessary. Having the long range situation in mind, the Company has planned its facilities so that many times the present load may be supplied. Its main substation in

A (Cont'd) "the North, located in the metropolitan area immediately to the East of Edmonton, is supplied by two 138,000 volt transmission lines from the Company's hydro electric plants and a 230,000 volt line will connect this substation with the steam plant now being built at Wabamun. From this substation feeder lines at 66,000 volts and lower voltages radiate out to supply industrial loads in the vicinity of Edmonton and the northern part of the Company's system. In all, to provide adequate service now and in the immediate future in the metropolitan area of Edmonton, the Company has spent or is committed to spending some $15,000,000.00 on generation and main transmission facilities, an expenditure that can only be justified on the basis of the Company supplying present and prospective electrical requirements of industries outside the existing city limits."

Q Mr. Gaherty, if you would mind coming back to page 8 and in the middle of the page you will see this paragraph:

Q (Cont'd) "While of minor importance in company's operations as a whole, the extensions of the city to selected customers beyond the City limits are, however, impeding the orderly development of area coverage."

A Yes.

Q I wonder if you would be good enough to expand on that a little for the benefit of this Commission?

A Well, the city's lines radiate out like a starfish, ribbon development and, of course, between the prongs there is an area that is very difficult to reach, so that we with our lines have to come in from the outside and work in, and the city's lines have been build out the roads where the settlement is thickest and, of course, it is very difficult to reach customers in the intervening areas.

Q Yes, I think that is quite clear, Mr. Gaherty. Now, if you would please go on to page 10.

A "ECONOMICS OF POWER SUPPLY

"The use of natural resources and public property by the Company carries with it a responsibility to extend its service as widely as possible. While some averaging of rates is unavoidable it would not, however, seem proper for the Company to use one class of service to subsidize another, or to use the service in one area to subsidize that

A (Cont'd) "of another. Subsidizing, if deemed advisable, should be on a province-wide basis, and the larger cities, enjoying as they do the cream of the retail electric business, should contribute their fair share."

I may say that personally I am not in sympathy with subsidizing.

"Much can be done, however, to help the less fortunate customers, such as the farmers, without increasing the cost to the remainder over what it would otherwise be.

The wholesale and industrial load, by reason of its volume, is the keystone of the Company's whole operation. A sixty-six thousand kilowatt turbo-generator unit, for example, such as the Company is installing at Wabamun, can produce power more efficiently and can be operated with the same number of men as a thirty thousand kilowatt unit. The cost per kilowatt of building a transmission line comes down sharply as the number of kilowatts to be transmitted increases. The relatively large industrial load necessitates heavy transmission lines, and these bring down the cost of power to the outlying towns and

A (Cont'd) "villages. The lines to the towns and villages in their turn provide the means of reaching the hamlets and rural areas. The existence of this network makes it possible to supply the farmers at little extra cost beyond that of generation and local distribution.

Right-of-way has been purchased and transmission lines have been built by the Company so as to bring the power into the southeastern metropolitan area and to take the power out to the numerous towns around Edmonton by the most direct routes. Any change in administrative boundaries that would involve the abandonment of these facilities and the provision of alternative facilities farther removed from the City would entail heavy severance losses, the acquisition of costly right-of-way through thickly settled areas, and expensive new construction.

The capital cost per service of distribution, a major factor in retail rates, varies from as low as $100 in the cities to $1000 or more in rural areas. The sparser population in the suburbs makes the distri-

A (Cont'd) "bution costs much greater than in the City proper. If the Company could limit its service to retail customers in the suburban areas to a selected few, it could supply them at rates comparable with those of the City. The Company, however, recognizes that it has a responsibility to provide area coverage, and this means averaging the good with the bad. In the Edmonton area the situation is aggravated by the ribbon development that has taken place, making it difficult to reach the scattered customers in between. In the interests of the consumer and to insure economical area coverage, all service outside the city limits should be under the control of the Public Utility Board.

The distinctive features of the electric power industry are the large amount of capital employed in relation to revenue and the long useful life of thephysical assets. As the carrying charges of the facilities must represent a large portion of the revenue, long range planning is indispensable, and some years must elapse before the investment can become fully productive. A company would not be justified in

A (Cont'd) "undertaking the high cost of developing a district without security of tenure.

INDUSTRY IN ALBERTA.

Industries may be divided into four classes - local servicing industries, such as laundries and bakeries, that spring up automatically as the population grows; industries that develop local natural resources, such as coal mines and oil wells; industries that supply a comparatively wide area in competition with imports from elsewhere, as for example oil refineries and structural steel, cement and explosive plants; and, lastly, those industries that depend mainly on export markets such as the Canadian Chemical, Sherritt Gordon and C.I.L. plants near Edmonton and the Ammonia Plant near Calgary. Our observations refer particularly to the latter class, although they apply in a greater or less degree to the others.

The major industries are in almost every case highly competitive and are, therefore, exceedingly cost conscious. Conditions have to be made very attractive to overcome the advantages of other localities, and only half a dozen such

A (Cont'd) "industries have as yet been induced to come to Alberta. They look for good labour conditions and stable prices for raw materials, fuel and electric power. Realizing this, it has been the Company's practice to supply them at firm prices under long term contracts. They generally prefer establishing themselves on the outskirts of cities, where land is less expensive and where they have access to a labour pool, have room to expand and do not have too many complaints as regards any nuisance they may create, but will only have to pay for such municipal services as they actually require for their operation. As a rule the extra demand they make on municipal services is small in relation to the assessed value of their properties.

Our Company has a direct interest in furthering industrial development in that most of the power it produces is used in industry, and through volume the Company has been able to keep its cost of production and transmission down, thereby enabling the Company to extend its services farther afield. Furthermore, the Alberta economy is still primarily

A (Cont'd) "agricultural, dependent upon distant markets. Industry, by creating employment, provides a local market for farm products and so tends to stabilize farm prices.

CONCLUSIONS AND RECOMMENDATIONS

The Company's prosperity is dependent on the future development of the Province and in expanding its operations the Company as therefore had the Province's interest in mind. Power has been made available to industry as needed, and the Company, through taking advantage of every means at its disposal to keep down the cost of generating and transmitting electricity, is now selling industrial power at rates among the lowest in Canada. The Company has built 4,100 circuit miles of transmission line largely in sparsely settled territory, and the Company is carrying the lions' share of the marginal business. This is borne out by the 1953 statistics of the Alberta Power Commission which indicate that while having only 21% of the non-farm customers in the Province, the Company is nevertheless supplying 75%

A (Cont'd) "of the farmers receiving service. Although lacking the more remunerative retail business in the larger cities, the Company's large industrial load has made possible this wide expansion of electric service.

In providing facilities in the metropolitan area of Edmonton, the Company has carried out the spirit of public utility regulation, and in particular the principles laid down in Section 82 (4) of The Public Utilities Act of Alberta as amended in 1946, which refers to the grant of permissive orders, reads as follows:

82 (4) Before granting any approval required by sub-section (3) the Board shall also give consideration to the present or future need for the extension of electrical service to rural areas throughout the Province, and in its order granting the approval shall impose such conditions with respect to the construction of main transmission lines and service lines and with respect to the equipment used or required for or in connection with the operation thereof

A (Cont'd) "as to the Board shall seem expedient or requisite having regard to existing or future extensions of electrical service to rural areas.

Having regard to the foregoing, the Company's recommendations are as follows:

1. In all areas covered by permissive orders of the Public Utility Board, the Company's rights should continue, notwithstanding any changes in administrative boundaries, and be exclusive.
2. All operations of municipally owned electric utilities outside the limits of the municipality, as constituted in 1950, should be under the jurisdiction of the Public Utility Board.
3. The location and construction of main transmission lines and other facilities of benefit to wide areas should be controlled at the Provincial level rather than by local planning boards.
4. A healthy climate for the establishment of industries should be maintained.

Gentlemen, I thank you.

Q Mr. Gaherty, I notice in your Company's recommendations you make reference to those areas covered by permissive

Q (Cont'd) orders of the Public Utility Board, and you suggest that the Company's rights should continue within those areas not withstanding any change in administrative boundaries and be exclusive. Now, in addition to these permissive orders, Mr. Gaherty, your Company does enjoy franchises?

A Yes.

Q And what I would like you to tell this Commission is whether in your opinion a change in the boundaries of the metropolitan area should of necessity bring about any change in the boundaries of a franchise?

A I don't think there is any necessity at all of changing the franchise boundaries. We are at the present time supplying part of the town of Blairmore and the town itself is supplying part. The Calgary Water Power Company operated for a long time in part of Calgary and the city is supplying the rest of Calgary and, of course, it's the heavy investment in long term facilities that count, and there are heavy severance losses the moment you start changing things around, at least, in a great many cases.

Q Are you saying to this Commission that even if the metropolitan boundaries are changed, there is no good reason to change the franchise boundaries?

A That is my answer.

MR. NOLAN: Answer my learned friends, please.

THE CHAIRMAN: All right Mr. Brownlee?

<u>MR. BROWNLEE EXAMINES THE WITNESS:</u>

Q On page 9 of your brief you referred to the fact that you are constructing a steam plant at Wabamun. I wonder if you could tell me, please why you are building

Q (Cont'd) at Wabamun?

A We considered also building on the outskirts of Edmonton near Beverly. The conditions that entered into it, first of all, on account of our large industrial load, we wanted to stabilize costs as much as possible so that our costs wouldn't rise and get us into trouble in supplying power at firm prices to industry.

Now, fuel was an important item. On the outskirts of Edmonton when it became necessary to change to coal, as would seem ultimately the case, why, we would have a big increase in fuel costs by reason of the cost of bringing coal into Edmonton. Whereas going to Wabamun the cost of mining coal out there would be substantially the same. Of course, our view is that while it is advantageous to buy gas now, that gas is a premium fuel for household use, and that in time the price will substantially rise as is the case in Texas, and also that in time there will be conservation measures which will insist upon it being used for, conserved for domestic service and not used for low grade purposes like producing electricity.

The other thing that concerned us, of course, was the question of taxation because we didn't want to get into too high a taxation area or an area where our taxes would be liable to change.

Of course, stability is very important to industries of all kinds, and we want to know what the future is when we do any, or guess it as closely as possible when we make any development of any kind.

A (Cont'd) Does that answer your question, Mr. Brownlee?

Q Yes. Do you think it's important to an industry in choosing a location that it should know what the future is likely to hold for it in the matter of the type of taxes it is going to be required to pay?

A I think in a highly competitive industry that that is most important because an industry, a petro-chemical industry, for instance, has a very heavy investment in plant and, therefore, its taxes are a large proportion of its annual income. Well, if they are going to be changed, it would change the company from a black position to a red position. I think it's stability that is important, not have somebody changing the rules in the middle of the game. They make their estimates of profit and so forth and on that basis spend millions of dollars. Well, their investment can in a large measure be destroyed if there is an unreasonable change in taxation, the taxes should be set in the first instance and should remain stable.

Q And, I take it, sir to be your view that taxes to be paid by industry are particularly important having regard to the type of services which they require of a municipal government.

A The services they require, particularly the large ones are very limited and they don't, they very often provide their own water and sewer and their own fire protection and have watchmen, so that they don't make the same demands on municipal services as the individual does, and I feel that they should not be taxed for a lot of services that they are not really re-

A (Cont'd) sponsible for . Of course, their employees require schools, but so do people that retire and live in the cities, or, for instance, in our own case, we have for years employed an Edmonton firm of contractors to build our transmission lines. Now, his men will all be based in Edmonton; their families will be using Edmonton schools, and because we build a transmission line down near Medicine Hat, I don't think,employing that contractor, I don't think we have any responsibility in connection with Edmonton's schools, and I don't know that industries outside the city limits or the oil wells in Red Water are very much different. However, those are my own views, not the Company's views, and I don't know very much about taxation, I am afraid.

Q Now, sir, on page 8, I was particularly interested in the paragraph which reads in part as follows:

> "From 1930 on the Company has been well set up with heavy transmission lines in the metropolitan area, whereas the city has not. With the discovery of oil at Leduc and Red Water the Company realised that oil refineries and related industries would be likely to build outside the city limits to the east."

Now, what I wanted to ask you was this: when you foresaw this development, am I correct in interpreting your brief as saying that you foresaw the development taking place to the east of the city?

A That is correct.

Q And it must have been your conclusion at that time that the development would be outside the city rather than inside the city?

A Yes, that oil refineries and the like would go outside the city limits.

Q And that it was your conclusion that the choice would be based on certain things such as the availability of relatively cheap land and the ability to obtain a degree of isolation?

A Yes, and that they would not have to support expensive urban facilities.

Q Quite. Now, sir, if we are correct in assuming that industry, and I would like to refer particularly to what we might call the Strathcona cluster of industry, has chosen this rural location very deliberately for certain reasons, and if that Strathcona cluster of industry might as a result of the proceedings being carried on now be brought into the City of Edmonton, do you feel that this might have an adverse affect on Alberta's ability to develop and attract industry in the future?

A I would think if the experience of industry is that within a few years of getting established, their taxation is sharply increased, the word would spread around that the feeling would be that it wasn't a very healthy place to go.

Q You made a statement to the effect that it was changing rules in the middle of the game.

A Yes.

Q That's what you mean?

A Yes, I think that's the thing that has a more disturbing effect than anything else, that they don't mind so much the taxes they pay at the start so long as they are not changed, so that, so long as the basis is not changed.

Q Finally I would ask you, sir, we have an industrial development in Strathcona and we have the area being administered by a municipal district council. Do you have any concern as to the ability of such a council to satisfactorily administer that area?

A Well, as far as, as a result of our experience, of course, not lately, but in the early days, I had a lot of experience in negotiating franchises in Alberta with municipal councils and town councils, and I acquired a very high regard for the men on these councils. I mean, they are generally prosperous farmers or well-to-do local business men and they are working voluntarily for the benefit of their communities, and I have a great respect for them personally. It has been our experience. I have a high regard for their ability to manage their affairs; they are hardheaded citizens.

MR. BROWNLEE: Thank you very much, sir.

THE CHAIRMAN: Mr. Garside?

MR. GARSIDE EXAMINES THE WITNESS:

Q On page 1 of the introduction, Mr. Gaherty, you refer, the last three lines say:

"Its loss would result in a sharp rise in the cost of providing service to other

Q (Cont'd)"customers."

A Yes.

Q Which loss do you mean, loss of wholesale or retail?

A Well, a loss of business as a whole. Well, we are particularly concerned, of course, about the industrial load, the loss of the industrial load,

Q In the metropolitan area?

A In the metropolitan area. We are not so concerned about retail distribution, although it's all grist to the mill.

Q I would like to get if I can a little more accurate definition of what you mean by metropolitan area. You have said --

A I mean the area that we are serving outside the city limits.

Q How far do you go, 50 miles?

A Oh, no, no, I would think at the very limit to Fort Saskatchewan, but I was thinking of the area within three miles of the present city limits.

Q What do you mean by "marginal areas" of the Province?

A Oh, places like Boyle and out towards Lac La Biche and Sundre and places like Mayerthorpe and Whitecourt.

Q Any place that is off the sort of main line of supply?

A Yes, and where the population per township is, or, per square mile is down low.

Q On page 3 of the brief you speak of:

> "Through the co-operation of the City of Edmonton in exchanging off-peak energy for secondary energy ",

what do you mean by "secondary energy"?

A That's this surplus energy that we have in the summer-time.

Q Mr. Caherty, I think you said you became associated with Calgary Power about 1919?

A That's right.

Q Do you recall any time when the Calgary Power Company under its agreement with the city was actually in operation of the Edmonton Power Plant?

A Calgary Power Company never operated the Edmonton Plant.

Q It did not?

A No.

Q Do you know of any power Company that did?

A I believe there was a -- I'm not very familiar with it but I understand that the Edmonton Power Plant was leased somewhere back around 1920, I think it was.

Q Yes, so the Calgary Power Company had nothing to do with that?

A The Calgary Power Company had no connection at all with that.

Q Now, I have been privileged, sir, of doing certain business contacts with yourself and the Calgary Power Company for the last 24 or 25 years. Would you say that the relationship between the city and the Calgary Power Company was a friendly one, one of co-operation?

A I would say the relationship was friendly except for a period when Joe Clarke was mayor.

Q And the friendly atmosphere is still --

A Yes, I think the friendly atmosphere still exists,

A (Cont'd) and I think that any difficulties about ribbon development would probably be worked out between us. It has been worrying us a little bit; the difficulty of serving the customers in the fringe areas.

Q Have you discussed that matter at all with the Civic Officials or Commissioners?

A I don't know, I haven't myself, and I don't know, it may have been discussed. Oh, I think it has been discussed, I am sure.

Q But in the event say that this Commission recommends that the boundaries be extended as indicated on that map.

A Yes.

Q Do you anticipate any difficulty in making an arrangement with the city with regard to the position of your Company in relation to future operations?

A Well, we were a little alarmed when we, there were inquiries about our industrial load around the city.

Q You haven't taken this matter up at all with any of the City Commissioners by way of discussion?

A Well, no, it's all come up so quickly, you see, we have always, it never occurred to us that we wouldn't be supplying these industries indefinitely.

Q Yes.

A That was the position, and it's only in the last few weeks that the possibility of the loss of this industrial load occurred to us.

Q I understood you to say in answer to a question by Mr. Brownlee that you had somewhat similar conditions in the

Q (Cont'd) south part of the country where the municipality itself is supplying part of the power within the boundaries and you are yourself?

A That is the case in Blairmore.

Q Is that working out satisfactorily?

A Oh, it seems to be working out all right.

Q Is there any reason, do you suppose, that a similar arrangement could not be applied here?

A I would think a similar arrangement could be worked out here. I don't think there would be any real difficulty, and I think that's the answer.

Q Now, you refer to the high taxes. What do you mean by "high taxes", do you mean municipal taxes or do you mean taxes as a whole, the taxes of the Dominion and Province --

A I was thinking of municipal taxes.

Q Have you any idea in the case of your own Company what relationship there is between municipal taxes and the Dominion taxes and the Provincial taxes you pay?

A Oh, with our own Company, why, our main taxes are our income taxes.

Q Oh, I see.

A Of course, and we come under the Electric Power Taxation Act, and part of that taxation was transferred to the Dominion when we, the tax rental agreement went through and the Province gets it back in the Dominion grant.

Q That would be the same in connection with these industrial concerns, their main taxes probably would be income tax?

A I think that that is so. I heard a figure mentioned though, the taxes for the Canadian Chemical, I think it was, that staggered me. I don't know whether the figure was correct or not.

Q Then, you spoke of the question of it being very necessary to have a stable condition with relation to taxation?

A Yes.

Q Have you any guarantee, for example, in your Company that the Dominion Government will not increase its taxes?

A Oh, no, we have no guarantee.

Q Have you any guarantee that the Provincial Government will not change its taxes?

A No, there is no guarantee.

Q Why should you expect any different terms from a municipality?

A Well, that wasn't what I was thinking of. I was thinking of, an industry pays low taxes and then through some administrative boundary change its tax might go up three-fold.

Q Could you tell me the horsepower capacity of your present generating plants?

A I wouldn't like to say offhand, about 210,000 kilowatts, I think it is, but I think we could get it for you.

Q Is a kilowatt a little bigger than a horsepower?

A A kilowatt is four-thirds of a horsepower.

Q Four-thirds, that's one and one-third?

A One and one-third.

Q Could you tell me the actual horsepower demand on the Company in the area which you referred to as the metropolitan area?

A I could get that figure for you approximately. I don't remember it offhand.

Q I take it it would be a very small proportion of the total horsepower capacity of your plants?

A No, I think it is quite considerable.

Q 20,000 kilowatts? There is a further question arising out of the last answer. Could you split, break down the amount as to industrial load and the other load in the area?

A Practically all of it is industrial.

MR. NOLAN: You don't mind a bit of prompting, Mr. Chairman, we are trying to get information and Mr. Gaherty hasn't it. The answer is that practically all of it is industrial.

MR. BLACKSTOCK: With this condition, Mr. Nolan, that for the purposes of the record Mr. Gaherty will have to adopt as his answer any answer that may come from other people.

MR. NOLAN: Even if it is suggested by me?

Q MR. GARSIDE: On page 8 of your brief, sir, it was referred to by Mr. Nolan, where you say that, or, seem to indicate that the actions of the city are impeding the orderly development of area coverage. Just what do you mean by the city impeding the orderly development of area coverage? Is that supposed to be something that we are doing actively now or is it something as a

Q (Cont'd) result of what --

A Well, I mean, it is the result of the ribbon development. The ribbon development that has taken place and, of course, the city can't be blamed for the ribbon development because the city has every right to supply any customer that it wants to outside the city limits.

Q So that there is no blame attached to the city, that is something that is beyond the power of either the Calgary Power Company or the city.

A Oh, yes, I mean, if there is a profitable customer 100 feet or so beyond a customer that is being supplied and the city under its charter powers and so forth can supply that customer. The city would only be doing the duty, its duty towards its purchasers. The city can't be blamed at all.

Q I just want to make sure.

A Oh, yes, I wouldn't like to convey the impression that we were blaming the city because that's not, that wouldn't be fair at all.

Q You mentioned a little while ago that your experience in dealing with municipal councils has taught you to respect the type of person with whom you do business?

A Yes.

Q Would that be true as far as the Council of the City of Edmonton is concerned?

A Well, I mentioned one of your mayors a few minutes ago.

Q Well, say excluding --

A Well, excluding that gentleman, I have a high regard for them.

Q The impression I got from the question and its purpose was to try to indicate that you had no difficulty in dealing with the Council of Strathcona Municipality?

A Yes. I personally haven't dealt with the Council of Strathcona but, of course, I have dealt with other municipal councils when we were building up our system in the '30's and I acquired a very high regard for them.

Q You have no reasons to suppose that you would have any greater difficulty in dealing with the Council of the City of Edmonton?

A I think we would be able to deal with the City Council of Edmonton all right. No, I wouldn't expect any difficulty with the City Council of Edmonton. We have never had -- except that one period.

Q Now, coming to page 15:

> "In all areas covered by permissive orders of the Public Utility Board, the Company's rights should continue notwithstanding any changes in administrative boundaries and be excluded."

Do I take it from this that at the present time you have a franchise within the metropolitan area you speak of, an exclusive franchise?

A We haven't an exclusive franchise because our franchise is not exclusive as against the city. The city can extend into any of the areas in which we have permissive orders, as I understand it.

Q So that this recommendation doesn't mean that if the area is extended, that you want an exclusive franchise as against the city in the extended area?

A Well, I think it should be exclusive for the reason that you get a lot of duplication of facilities if you have two utilities competing in the same area.

Q Well then, the answer is that you do ask for an exclusive franchise within the extended area?

A Yes, that's right.

Q The same result would obtain so far as duplication of services are concerned if the exclusive franchise was with the city in the area too?

A Oh, yes, yes.

Q The next one: "All operations of municipally owned electric utilities outside the limits of the city as constituted in 1950". Why do you make that distinction?

A 1950, our permissive orders tie into 1950, I think that's --

Q Number 3:

> "The location and construction of main transmission lines and other facilities of benefit to wide areas should be controlled at Provincial level rather than by local planning boards."

I would like you to explain just why you want that change.

A I think that this is the position at the present time, I'm not sure, but a local board could involve us in a very great extra cost which would have to be borne in effect by the distant consumers. That was all I was thinking about there.

Q This really doesn't involve any change at all, it's just to keep things as they are?

A I think that's the position, I am not too familiar with that.

THE CHAIRMAN: Mr. Garside, I direct your attention to the clock. You doubtless have further questions?

MR. GARSIDE: One or two, that's all.

THE CHAIRMAN: Yes. Well, the Commission is in the habit, I may say, of having a midmorning recess at about this time, and we will reassemble at 11:10.

(At this point the Commission stood adjourned until 11:30 a.m. and reconvened.)

PROCEEDINGS COMMENCING 11:10 A.M.

MR. MOFFAT: Mr. Chairman, before we continue there is one point which I would ask your permission to interject at this stage.

The story in the Edmonton Journal last night in connection with the discussions yesterday with Doctor Brownlee, Doctor Brownlee's evidence, carries a reference to his comment on the increase in the taxes on Canadian Chemical Company.

I notice that Mr. Gaherty made a reference to that this morning which indicated that the impression he had received from the article was exactly the kind of impression that I was afraid might come from that reference; and I think it might be well to just get on to the record again the fact that those figures were purely hypothetical and his suggestion was "if" this happened such and such would follow. There was no evidence as far as he was concerned that the thing would actually happen that way.

Now, we will no doubt have further evidence on the question later, but I thought it worth mentioning because I think it is important, particularly in this field: that nothing should go out by way of impressions from the Hearings of this Commission which will stop the industrial development in the area, because everybody concerned -- the city most of all -- is anxious to be sure that industrial development does continue, not only in the city proper, but in the whole area, and it should be most concerned if any impression got out that this thing was going to have any serious effect in that regard.

THE CHAIRMAN: Thank you, Mr. Moffat.

MR. BROWNLEE: Mr. Chairman, in view of Mr. Moffat's comment I think I would like to ask Mr. Harries to make a comment on the matter.

MR. BLACKSTOCK: Mr. Brownlee, before that is done, Doctor Brownlee was asked this question: were you making an assumption -- or words to that effect -- and he said, yes. Now, if Mr. Harries is going to give evidence, then, let him give evidence and be cross-examined; but that is what the witness said yesterday -- an assumption. Now, it appeared in the press as a dogmatic statement which Mr. Moffat properly wishes to correct.

MR. BROWNLEE: Well, sir, I think our position would be that to the extent that it was given in evidence, it was based on a computation given to Doctor Brownlee, and it is in that connection that I felt Mr. Harries should make some comment.

THE CHAIRMAN: I don't think, Mr. Brownlee, that it ought to be interjected at this time. I don't know-- I didn't know what Mr. Moffat was going to talk about, but when I saw him waving around his newspaper clipping I assumed that it had something to do with the newspaper report. Now, would you be agreeable to leaving it until the conclusion of this examination of Doctor Gaherty, and then before we proceed to other business we will decide whether Doctor Harries will take the stand or how this matter will be further clarified.

MR. BROWNLEE: Well, if we may reserve the right, sir, to speak to the matter in some form or other after this evidence is given --.

THE CHAIRMAN: Oh, well, Mr. Brownlee, I think you will agree with me that we have never tried to shut anybody out from talking about anything.

MR. BROWNLEE: No, sir, I realize that.

THE CHAIRMAN: So, when the time comes when we have finished with the submission of the Calgary Power, and if you raise the question then and indicate what you would like to do, we will decide whether that is a fit and proper procedure or not.

MR. BROWNLEE: Thank you, Mr. Chairman.

THE CHAIRMAN: Now, Mr. Garside, you will proceed with your cross-examination of Doctor Gaherty.

G.A.GAHERTY recalled to the stand on his former oath, further cross-examined by Mr. Garside, testified as follows:

Q Mr. Gaherty, during the intermission we were speaking, you were speaking to me and showing me a plan of the metropolitan area and you suggested some ground upon which the city and the company could operate in the expanded area on a mutually satisfactory basis. Would you mind explaining that to the members of the Commission?

MR. NOLAN: That, Mr. Chairman and Gentlemen, is to be found in the pocket of Exhibit 146E, and it is the plan which outlines the various transmission systems in the Edmonton area.

A I wouldn't anticipate any difficulty, Gentlemen, in our getting together with the city and arranging a swap of lines, that we would exchange some of our distribution lines for some of theirs, so that we could get the whole supply in the area beyond the city limits more orderly than it is at present.

I don't want to convey the impression that we want to grab all the city's lines outside of the city,

A (Cont.) but the difficulty of supplying the intervening customers is disturbing me and I thought we could, by working out some scheme of clipping off the ends of the city's lines here and there and giving them some of our lines in exchange, that between us we could work the thing out, and then submit it to the P.U. Board for approval.

Q MR. GARSIDE: Now, coming back again for a moment to number 3 of your recommendations, I understand at the present time that if the Calgary Power Company want to build a transmission line within the city, that they are required to go before the Edmonton Planning Department. Now, you said you prefer it at provincial level. I would point out to you, Mr. Gaherty, that a situation could arise where a main transmission line should not be permitted to go through a residential district, and the location of a line should be subject to some form of control or consultation with the local authority.

A Oh, I have assumed that the provincial authority would naturally consult the local authority.

Q It has been given in evidence here that there is an appeal, for example, from the Edmonton Planning Board to the provincial level in any event. Would that be satisfactory to you?

A Oh, I think that that would be satisfactory. The kind of thing I am worried about, of course: we have a main sub station in the Strathcona area, and it might be necessary to build a high voltage line feeding out from that sub station to Redwater, we'll say, and some local planning board might say, well, now, you will have to put that under-

A (Cont.) ground. Of course, that would add a terrific amount to the cost. Of course, it wouldn't be any skin off their back, but it would affect the cost of service to Redwater, or wherever the line was going.

Now, that was the kind of thing I was worried about, not to have complete control in the hands of some local body, that might not give too much consideration to the best interests of the area as a whole.

I think it is something that could easily be straightened out.

Q Number 4:

"A healthy climate for the establishment of industries should be maintained."

Could you explain that a little more fully?

A I mean in the first place that the taxes on industry should be at a reasonable level, at a level comparable with what they are else where; and more particularly that conditions be reasonably stable. I don't think there is any objection so much to a change, a small change in the mill rate from time to time, but any drastic changes in the taxation, once a plant gets established and can't move away, is not fair to the plant. That was the kind of thing that was bothering me.

MR. GARSIDE: Thank you Mr. Gaherty.

THE CHAIRMAN: Mr. Moffat?

MR. MOFFAT QUESTIONS THE WITNESS:

Q Mr. Gaherty, the first question is just for the sake of clarification. At the top of page 3 you mention the interchange arrangements between your company and the City of Edmonton.

A Yes.

Q I don't think you intended any suggestion there that the benefits of that were all on one side, did you?

A Oh, no, no.

Q I thought not, but I thought we maybe should just clarify that. Your company benefited from this arrangement?

A Oh, yes.

Q Should I go so far as to say that maybe you benefited more than the city did?

A Oh, I think the city probably benefited a little more than we did, but we got a lot of benefits out of it.

(Laughter.)

Q Now, one of the questions that has been before this Commission at some length is the growth of the area, the development of the whole area, and I notice at the bottom of page 8 you say your company has planned its facilities so that many times the present load may be supplied. I wonder if you would elaborate on that a little bit for us.

A Well, we studied the situation a few years ago, and we concluded that the heavy industrial growth, that the heavy industries would go outside the city limits and that they would go in that Strathcona area and along the North Saskatchewan river east of the city; the ones that required cooling water in large quantities would, of course, try and get low down on the river where their pumping costs wouldn't be too high. Of course, one of the reasons was that some of these industries give forth rather objectionable fumes and that they would sooner be outside of the city on that account.

Q What I had in mind particularly was whether you expected more of that sort of thing to happen?

A I think if there is a healthy atmosphere I would expect more -- oh, decidedly more.

Q And would you expect them to locate, if they are coming to the Edmonton area, would you expect them to locate roughly in that same --.

A In that same area, yes; that is, heavy industry, not the light ones. The light ones, I would expect to go inside the city limits.

Q But any substantial big new plants you would expect to locate in that same area to the east?

A Yes.

Q Now, your statement in the brief, though, seems to be more definite as far as your own company is concerned; you seem to be anticipating many times the present load. Now, are you expecting your load to grow faster than the industry?

A We are looking 20 years ahead, of course; we have to build and plan our facilities on that basis so that they can be expanded as needed, and that the voltage of the lines can be raised or heavier conductors strung.

Q In that regard have you people done any forecasts as to what the residential load might grow to in that area?

A Well, we wouldn't expect there to be much residential growth in that particular area.

Q In the area served by you, including, shall we say, Jasper Place and Beverly?

A Oh, Jasper Place there will be, but not in that area east of the city.

Q But you haven't done anything specific on that subject?

A No, we haven't. The supply of the residential load, of course, is simple as compared with industry.

Q Well, I think you stated that your present capacity was two hundred and ten thousand kilowatts -- is that the figure?

A Yes, that's the figure.

Q Would that include the Wabamun plant, or is that presently built?

A That is presently built.

Q Then, including the Wabamun plant on top of that -- .

A That will add another sixty six thousand kilowatts.

Q So this load that you are talking about now would be something in the neighborhood of 8 percent, would it be, of your total capacity when the Wabamun plant is completed?

A Yes; we would, of course, hope that the load would keep up with our expansion, perhaps a larger percentage.

Q Well, that's the point I was coming to: would you anticipate any difficulty using up the load if this particular twenty thousand kilowatts was --.

A Oh, yes, we would be out of balance in the north, very much; the load represents a very much larger percentage of our base load, and the Wabamun plant is designed to provide base load.

Q In other words, it is a good steady --.

A Load factor, yes.

Q And therefore represents a fairly profitable operation by comparison with your residential?

A Oh, yes; the rates take that into account, of course;

A (Cont.) the rates on a kilowatt hour basis are very much lower than a poor load factor load would be.

Q So your primary concern, then, is about the load factor element rather than the over-all capacity which is involved?

A The two things: the load factor element, and the fact that it represents a pretty large percentage of our load in the north.

Q Well, now, if I can turn the discussion to another point that is raised on that same page where you are talking about this industrial area and the development to the east of the city. You say that the company realized that oil refineries and related industries would likely be built outside of the limits to the east.

A Yes.

Q Now, about when was this? What date, roughly?

A Oh, that was about --

Q -- that you started planning that?

A -- that was about 4 or 5 years ago.

Q It would be 1949?

A Yes.

Q Or maybe 1948?

A Yes; about the time that Leduc was discovered, or shortly after.

Q And that would be at a time, then, when they were going in there for locational considerations and not for differences in taxes, would it?

A Oh, I think the taxes had a lot to do with it.

Q Do you know what the taxes were in that area at that time?

A No, I have no detailed information on taxes.

Q I could give you Exhibit 57E which was filed by the Municipal District of Strathcona, showing a mill rate in that area at the time within two or three mills of the same rate as the city.

A Yes.

Q 45 mills in 1948, and the city, I believe, was 49; so there was 4 mills difference at that time; and in 1949 it was down to 41 mills, and in 1950 back up to 43 mills; so it was not greatly out of line with the city at that time; is it then, the implication from your brief, then, that your company thought that location of industry was going into that area and made its plans to service that area on the basis of locational factors, convenience to the city and so on, without any thought as to the industry depending on a mill rate down to 25, to where it has got now?

A Oh, I think they were thinking of taxes, too, probably; that by getting out into the country that they would not have the expensive facilities like roads, and there are a lot of other taxes coming in like streets that are taxed on a separate basis --

Q Local improvements?

A Local improvement taxes and so on.

Q Yes, those factors would be in there?

A Yes.

Q But the basic mill rate, I take it from your evidence here, would not be a major consideration at that time; it might have been in the more recent plants, but you thought that that particular location was going to be

Q (Cont.) developed, and you came to that conclusion four or five years ago?

A Yes.

Q Now, just developing out of that same thought: you make a considerable emphasis on the fact that these plants, like the petro-chemical plants with a fairly high investment per employee, should be protected against a high mill rate, or high municipal taxes?

A Yes, because they don't require the services that smaller industries would.

Q Now, your description of the kind of industry you had in mind -- I can't put my hand on it at the moment in your brief --.

MR. NOLAN: Page 12.

Q MR. MOFFAT: Page 12, is it? Your description of that kind of industry comes very close to a description of your own kind of plant?

A Yes.

Q It is a type of industry that has a big investment per employee, doesn't carry much local services, and so on?

A Yes.

Q But your own decision was to locate in Stony Plain Municipality; is that correct?

A Yes.

Q Do you know what the mill rate is there?

A No, I don't know what the mill rate is there.

Q Do you expect to pay the ordinary mill rate?

A Of course, our taxation is all fixed, and we pay the regular taxes, regular mill rate on our land and buildings under the Electric Power Taxation Act.

Q Would it surprise you if I were to tell you the mill rate there is 67 and in Strathcona it's 25? Did you know it was three times as high?

A I knew it would be much higher in Stony Plain because there are, of course, a lot of industries in Strathcona that would bring the mill rate down.

Q The point I was going to ask you about arising out of that is whether your argument that this type of industry should be protected against an unreasonably high tax level, whether it applies only to the industries that are in Strathcona, or whether it applies to all industries in this area.

A Oh, I think it applies to all industries, all heavy industries at any rate.

Q Do you think, then, it is fair that some heavy industries that happened to be located here several years should have their taxes raised in order to provide service to employees who are working in plants out in Strathcona, who are getting away with 25 mills. Do you think that is a good situation for business in this area?

A Well, I think it's good for business in this area to have the industries there.

Q Agreed, agreed.

A I think so very strongly, that the employees increase the income of the citizens, and so on.

Q I think everybody agrees with that, and I think there is no question but that everybody in the area is better off by having the industries in the area.

A Yes.

Q But granted that they are coming into the area, would the area be better served, and would the area get more industries if all industries in the area had the same

Q (Cont.) mill rate and the same tax load and kept it down as much as possible, or would it be better to have one selected group to get better rates than the others?

A Of course, I think that with all heavy industries it would be better if all heavy industries were paying taxes on the same sort of basis.

Q Well, I won't press you any further on the question as to whether you think it is good for business that one group who happened to locate in an area defined by artificial boundaries, certain artificial boundaries, would pay less towards municipal services than the rest of the industries in the same area.

A Well, I would think it is good to have a spot where industries that are very, very critical as regards cost could go and have reasonably low taxes -- and, of course, would have a lack of municipal services to match up.

Q Well, I think we will not develop that any further.

A That's my feeling on that.

Q Now, another thing we have heard a good deal about is this thing of changing the rules in the middle of the game.

A Yes.

Q When a big company -- and I take it you have had a good deal of experience with developing, with the development of big organizations, not only in our city but over the whole country -- when a big company with contacts all over Canada and all over the North American continent practically, locates within about 3 miles of a rapidly expanding city, do you suppose their locational people don't think it is likely that the city is going to overflow and catch up with them?

A Well, they usually try to get far enough out so that they don't catch up with them too soon -- of course, one of the reasons may be that they want room to expand.

Q Well, do you suppose they would go far enough out that they would not have the services of the downtown area for their employees, and for their schooling for the employees and so on; -- in other words, don't you suppose they meet a balance between the two?

A Well, I don't suppose they pay too much attention to that. In the Niagara Peninsula the construction work on the hydro development there, the constructional employees were coming as far as 40 miles.

Q Isn't that, sir, temporary, for a year or so?

A Yes.

Q But not the operating employees for a permanent set-up?

A I think the operating employees -- or, at least, the employees of industries -- are travelling much farther than they ever dreamed of travelling before; plants like the Oakville plant and Ford and so on, for instance, go out in the fields now and put up plants, and some of the employees live locally and some go into the city.

Q But isn't the history of it that the city grows up around the plant, or the adjoining city grows out to it? Isn't that the general pattern?

A Oh, I don't think there is nearly as much building up around the plants now as there used to be when people didn't have automobiles and so on.

Q Well, perhaps I should ask you the question in this way: don't you think that the firms who located in there would know that this is a real risk they are taking in that

Q (Cont.) they are not on any basis of charging a change in the rules, when they came and located right close to a city.

A I can answer that: when we were considering a location, the location of our steam plant on the outskirts of Beverly we had no thought that the city limits would extend; otherwise we probably would not have considered that location for that steam plant.

Q Well, is it the city limits you are worried about or is it the building up of the residential area around it; which was it?

A We thought it was better to have that plant outside the city limits.

Q Why?

A Well, we thought that we would probably have more trouble eventually with taxes and with nuisances, if we were in the city limits than if we were out.

Q In other words, then, you were primarily trying to get away from what we have called the "urban sprawl"?

A Yes.

Q And your consideration was primarily that, or was it the tax question?

A Well, the tax question was one of the things that was worrying us; of course, if it had been desirable to have gone inside the city limits, why, we would have probably tried to negotiate some sort of an arrangement with the city in regard to taxation of the plant. We thought it was better to go outside of the city limits on account of our lines going into the plant and out of the plant.

Q Would you add on one other thing: that once you get

Q (Cont.) your construction completed you have a very small number of operating employees to worry about residential --.

A We would have a very small number of operating employees.

Q And if an industry had a larger number of operating employees they would be much more inclined to come closer to the city, is that right?

A I would think that was so, but of course I think a great deal depends upon the nature of the business, though.

Q If I could go back just for a moment to the discussion of this load on the industrial plants that we were talking about a few moments ago: I think you said -- or at least implied -- that you were anxious to keep that load because it allowed you to spread your overhead and thereby keep your rates down elsewhere; is that what the expectation was?

A Well, the greater the volume of load we can produce more cheaply -- and also our facilities have been designed to meet those conditions -- I mean, the balance of our base load production and our peak load production is such that at -- it would throw out our whole operations in the north if we lost that load.

Q In other words, you are putting it primarily on the engineering and load factor rather than finance?

A Well, the finances come into it, too. I mean, we are building up an entity, you see, and the various parts of our operations interlock, and our facilities are designed for that purpose and so on; well, you can't clip off an arm without doing a lot of damage to the whole structure that takes years to catch up with.

Q Well, if that particular load is a particularly desirable load from your viewpoint, do you suppose it would also be a desirable load from the point of view of adding it on to the city's load?

A I would think it would be, I don't know. You see, that load must represent something in the order of 40 or 50 percent of our load in the northern part of the province, and, of course, if you cut out 50 percent of our load in the northern part of the province it's going to dislocate our operations and our finances and everything else, and the design of our facilities, for many years to come; we would never dream of building up that business unless we felt that we could continue there. We wouldn't have come in in the first place unless we felt that we were developing something for the future. The present business isn't particular attractive on its own, it's building things up.

Q Well, could we put it this way, then: that from the point of view of electrical distribution in the area there is a benefit to be derived to whatever organization has that particular load, because building around that load they can cut their overhead and so on so that there is a benefit to be derived from having that load, and the question arises whether that benefit should go with the city system which is tied in here together, or whether the benefit should be spread over the system, over a wider area?

A Oh, that's much to much of an over simplification of the problem. I mean, a great deal depends upon your production costs and so on. I mean, if your production costs are relatively high, and so on, if your facilities

A (Cont.) are not particularly well suited for that type of load, why -- I mean, it all depends.

Q Thank you very much.

MR. NOLAN: Mr. Chairman, may I interject to say that some mention has been made of this map which shows the transmission lines in the Edmonton area. I think it is self explanatory, but may I remind the Chairman and Gentlemen of the Commission that there is another map in that pocket which is also self explanatory, and which shows the farm electrification areas within the whole of the Province of Alberta.

THE CHAIRMAN: Yes, thank you, Mr. Nolan. Now, if there is no other examination from the interested parties here, I would like to ask the members of the Commission if they would like to ask some questions. Would you carry on, Mr. Blackstock?

MR. BLACKSTOCK QUESTIONS THE WITNESS:

Q Mr. Gaherty, can you tell us in round figures the amount of your company's investment in the Province of Alberta?

A Our property account at the end of November was seventy five million dollars.

Q What is the capital structure? Give it to me in percentages.

A Our capital structure -- we have about 48 percent in bonds, 18 percent preferred stock, 17 percent in common stock and surplus, and about 17 percent is money that has been set aside for depreciation.

Q Do you know where your distribution of your bonds has taken place?

A The bonds are nearly all held by insurance companies, life insurance companies.

Q And they naturally have a fairly substantial stake?

A Yes.

Q In what may happen to your operation in this area?

A Yes.

Q Mr. Gaherty, will you please define for me again what "secondary energy" means?

A Well, "secondary energy" is energy produced from water power that is only available at certain seasons of the year, that you cannot supply all year around; you can only supply it when there is plenty of water coming down the rivers.

Q Now, Mr. Gaherty, it is my recollection that your company protects itself against increase in taxation, either with respect to water rentals, dominion taxation, provincial taxation, or municipal taxation, by a provision in your franchise agreement that if there is any change, upward change in taxation -- or any change in taxation, that your rates are affected accordingly.

A That is so, sir.

Q Have you a similar provision in your industrial contracts?

A We have a similar provision in our industrial contracts -- or some of them, at any rate.

Q So that protects you?

A Yes.

Q And what the effect on the other party is no one can tell?

A I don't think we have exercised it recently.

Q That is because, I suppose, your level of taxation has remained fairly constant?

A Fairly constant; it is to cover some extreme change, and partly to make them tax conscious as well.

Q And when you ask that your company's rights should continue where you hold permissive orders, and that they should be exclusive, I think I gathered from you that you do not mean, say, in this area where you have a permissive order, the City of Edmonton would be obliged to go out of business?

A No, I think there has to be some -- I think it is desirable, a desirable thing -- I think the desirable thing is for us to get together and do some sorting out so as to regularize the area, rather than have tentacles extending out.

Q So that the word "exclusive" would apply rather to some other --.

A To some redefined area after those adjustments were made.

Q Now, don't you think you are protected therein by the Public Utilities Board which has always refused to allow duplication of service and operation costs?

A Yes.

MR.BLACKSTOCK: Thank you, Mr. Gaherty.

THE CHAIRMAN: Mr. Robison?

MR. ROBISON: I am looking at the time, Mr. Chairman.

THE CHAIRMAN: Yes.

MR. ROBISON QUESTIONS THE WITNESS:

Q I have just two or three questions, Mr. Gaherty. On page 4, the last sentence on that page reads:

Q (Cont.)

"As a result, the company is now selling power for industrial purposes at rates among the lowest in Canada."

Would you be in a position to give the Commission some idea of the range of those rates, having regard to the costs that companies are interested in in establishing heavy industry; would that be a fair question?

A Well, the rates of $30.00, $35.00 a horsepower are about the lowest rates that are now prevailing anywhere, except possibly some spot like Kitimat or Trail; and most of the rates are considerably higher than that -- generally demand charges plus kilowatt-hour charges.

Q Would Alberta rank below or above Manitoba, say, or Ontario?

A Our rates are, I think, are now a little lower than Ontario. They are about the same, I think, as Manitoba -- that is speaking about the industrial rates.

Q Yes.

A The Manitoba rates were very much lower than ours, but I think that with consumers like the Canada Cement Company and so forth they are about the same thing; because we were comparing notes a few years ago, 2 or 3 years ago, and I think that while they may have some old contracts at much lower rates, they --.

Q Well, we are generally competitive, then, I take it with Manitoba and Ontario?

A Yes, and lower than British Columbia, I think, in most parts.

Q What about Quebec where there is considerable industrialization?

A I think about the same as in Quebec.

Q About the same?

A Yes; our rates -- I compare them from time to time with the Shawinigan, and on their newer contracts their rates are in line with ours. Of course, in places like Nova Scotia and so forth the rates are considerably higher.

Q I direct your attention to the last sentence on page 9, Mr. Gaherty, commencing with the words:

> "In all, to provide adequate service now and in the immediate future in the metropolitan area of Edmonton, the company has spent or is committed to spending some $15,000,000.00 on generation and main transmission facilities, an expenditure that can only be justified on the basis of the company supplying present and prospective electrical requirements of industries outside the existing city limits."

Now, in the second line from the end, the word "supplying"-- I suppose you mean there supplying exclusively to tie in with the recommendation on page 15?

A Yes; I mean, we have a heavy investment; -- of course, it's difficult to sort it all out because we are dealing with something that is an integrated development.

Q Now, another question: would Calgary Power be satisfied if in the so called industrial area -- metropolitan area, rather, where the city has lines -- would the company be satisfied with the city continuing, shall we say, those residential services where you may have some exclusive rights?

A Well, we naturally -- I mean, the residential service is grist to the mill, we naturally don't like losing it, but of course it is the industrial load which is our special business, that we are particularly concerned over. Does that answer your question?

Q Yes; you are willing to negotiate with the city, I take it, from what you said previously, on this whole area on an equitable basis?

A Yes, oh yes, but we don't want to lose any business if we can help it, though.

(Laughter.)

Q I think that is understandable.

A But we are willing to negotiate; we don't want to take an unreasonable position in regard to it.

Q My last question is two-fold : in answer to Mr. Brownlee, one of his questions, you said something about taxes remaining stable as an important matter to industry. Now, does this imply, Mr. Gaherty, that you are in favor of tax concessions for new and large industries?

A I am in favor of them because I doubt very much whether they can be attracted to this area without some concessions. Now, I think, though, that that should be put on some well defined basis so that it isn't just a case of a hit or miss --. My feeling is that those industries that from their very nature have a very large capital investment in relation to the number of employees and so on, in the petro-chemical industries and things like that, industries like Canadian Chemicals, that have -- I heard the figure mentioned $85,000,000.00 -- I don't know whether it is correct -- but that

A (Cont.) $85,000,000.00 doesn't form an equitable basis for taxation; it should be very much lower than that.

Q Would you agree that the business of municipalities, individual municipalities providing tax concessions might be discontinued because of the competition it provides between municipalities to get industries, and that the province should do something possibly in regard to any possibility of tax concessions?

A I think it should be with the province and not competition between municipalities.

Q Mr. Chairman, I just have one further question, a brief one: Mr. Goldenberg was here as an economic consultant, Mr. Gaherty, for Canadian Chemicals, and he cited before this Commission the assessment act of Ontario and the practice of assessing heavy industries in the City of Montreal, pointing out that machinery used in -- I think the word was "heavy manufacturing" -- in manufacturing certain machinery was exempted under their Act in Ontario and in Montreal.

A Yes.

Q In order to provide a common basis of assessment which you indicate in your brief might be necessary, would you agree that something along that line might be done in Alberta? Do you think it advisable?

A I would think it advisable, something along that line.

Q Are you familiar with the provisions of the Ontario Statute?

A No.

Q Nor in Montreal?

A No.

Q Thank you, Mr. Gaherty.

THE CHAIRMAN: Mr. Nolan, probably other members of the Commission will have questions. When we resume at two o'clock you will be present and produce the witness?

MR. NOLAN: Yes, Mr. Chairman.

(Laughter.)

THE CHAIRMAN: We will adjourn, then, until 2 o'clock.

(At 12 noon this date the Commission stood adjourned until 2 p.m. this same date and reconvened.)

PROCEEDINGS AT 2:00 P.M.

MR. NOLAN: Mr. Chairman, it will be observed that I have complied with the writ of habeas corpus which was issued at twelve noon; Mr. Gaherty is here.

THE CHAIRMAN: The first thing that I noticed when I came in.

Now, Mr. Davies, if you are ready, the witness is here and ready, so we will proceed with the examination.

MR. DAVIES EXAMINES THE WITNESS:

Q Mr. Chairman, I was wondering, if before I proceed, if we should have any clarification of the position of the city; that is, if when we are dealing now with the question of power in the metropolitan area, and we have these submissions from the Calgary Power Limited, if it is the intention of the city to put a witness in the box following Dr. Gaherty to give the position of the city on some of these matters, so we have the position of the city in some other way other than merely from the mouths of its council or its economic consultant?

MR. GARSIDE: Well, in answer to that, sir, I think the only proper way for the matter to be brought before the Commission is by way of statement from the council -- at a council meeting the other night --

THE CHAIRMAN: Will you repeat that?

MR. GARSIDE: It is the only proper way to bring the matter before this Commission, is either by way of instructions which may be given to the economic consultant or myself by commissions, or by proper resolution of the council. Now, at a council meeting the other night I pointed out to them that there are a number of questions still have to be brought before them, one of which was this very matter, the question of just what was going to happen in connection with the Alberta Telephones, the question of the Calgary Power, and the question of the staffs of the various municipalities concerned. I expect it will be holding a meeting to deal with those matters. Of course, I did point out to them this other, which is quite obvious to them, that is, assuming that you did say that this area was to go in, it would certainly be subject to such conditions that you saw fit to put in there to the effect, for example, that proper arrangements must be made with the Alberta Government Telephones, with the Calgary Power, and if those could not be settled by negotiation, then it must be settled by arbitration, but preferably I think would be to come before you by way of decision by city council.

MR. DAVIES: Yes. What I had in mind was that certain principles are being enunciated. Now, for example, Dr. Gaherty has said this morning that he feels for a number of different reasons which he has elaborated upon that the Calgary Power Limited should

MR. DAVIES: (Cont.) not be disturbed in the industrial area in the event that it came in. Well, now, it would be rather nice if while this Commission is dealing with this very matter that we could have somebody from the city say exactly how they feel about that, what their position is on that view, but apparently we are not going to be in that position, Mr. Garside.

MR. GARSIDE: I am afraid unless I can get in touch with the Mayor to see if he is willing to come and give you that information. I can do that.

MR. DAVIES: Personally I am not insisting in it, I am just raising it, that's all.

MR. GARSIDE: The only feature I would draw to your attention is, that the only persons who can give a proper binding answer to you is the council itself by way of consideration and resolution, but the Mayor would no doubt state his standing on the matter, so I will go and phone him.

MR. DAVIES: Well, Mr. Chairman, let's leave it this way, then, that Mr. Garside is aware that this Commission wants to know these things and that you are planning on giving us that information.

MR. GARSIDE: That is correct, sir.

MR. DAVIES: And somebody will be here for examination.

MR. GARSIDE: Either that, or there will be certified copies of the resolution of council.

THE CHAIRMAN: Thank you, Mr. Garside.

Q MR. DAVIES: Mr. Gaherty, I wonder if I might take advantage of your place of residence for a moment, and ask you if you can tell the Commission

Q (Cont.) whether or not there is any provincial or municipal tax levied in the Province of Ontario on the property of the Hydroelectric Power Commission or any of its distributors?

A My impression is, that there is no tax levied on the property of the Hydroelectric Power Commission, but I am not sure.

Q Do you know whether or not --

A If it is, I think it is quite small.

Q It is my understanding that there isn't, but I --

A That is my understanding, but I couldn't speak positively about it.

Q And the bulk of the electrical energy in Ontario is generated at stations of the Hydroelectric Power Commission?

A Except what is brought in from Quebec, that is so.

Q That would mean that the transmission lines, then, in all probability are exempt?

A Yes.

Q The power dams are exempt?

A Yes.

Q And that in the distribution of power in Ontario compared with Alberta where there is a private company, there is no municipal or provincial taxation in that province as compared with what there is here?

A I think that is correct, and also, nearly all of the large industrial consumers, the really large industrial consumers are supplied by the Ontario

A (Cont.) Hydro direct instead of through the municipal hydro systems.

Q And still your evidence before the Commission is that the rates, the industrial rates in Alberta compare extremely favorable?

A Yes.

Q Can you tell the Commission whether or not there is any city or town or other municipal corporation that levies a tax on the bill either directly or indirectly of a consumer of electrical energy in Ontario?

A I don't think there are any taxes on the bill now in any cities in Canada so far as I am aware.

Q You are referring --

A Oh, there is a sales tax on the Montreal bills.

Q But that is the municipally imposed or provincially imposed sales tax?

A Yes, there is a municipal and provincial sales tax.

Q As part of general revenue for the whole province?

A No, it is purely municipal revenue. Oh, the municipal, there is the provincial sales tax too. The provincial sales tax will go to the province and the municipal sales tax to the city. I think it is 3 percent in the case of the province and 2 percent in the case of the municipalities.

Q What I was trying to find out, Dr. Gaherty, indirectly was, we have in the City of Edmonton, but not in the City of Calgary a five percent, what amounts to a five percent tax on the gas consumers.

A Yes.

Q In the City of Edmonton. It is called the gas franchise tax, and the company pays the city 5 percent of its revenues within the city limits, and that of course is passed on actually to the consumers by the rate being correspondingly higher.

A So far as I know there is no franchise tax in, on gas in Montreal, but I know with regard to gas that there is this five percent; three percent plus two percent added on to the bills.

Q Could you tell the Commission approximately how the rates compare, to domestic consumers in Alberta as compared with Ontario?

A Our domestic rates on the average will be higher on account of the greater sparsity of population. The same applies to commercial rates, substantially higher. In the large cities I think the rates are pretty much the same.

Q Well, on the question of rates, can you tell the Commission how your rates to industry in the industrial area compare with the rates of the city power plant to industry within the boundaries of the City of Edmonton?

A I think that our rates are, it will depend upon the load factor. For high load factor consumers I think our rates are substantially lower. For low load factor consumers the city rates might possibly be lower, but one of the things that we have run into in connection with that, these hearings, is that our large industrial consumers are,

A (Cont.) some of them, at least, are very much disturbed over the possibility that their rates might be increased if they were taken inside the city limits.

Q Turning to page 8 of your brief in connection with the Namao airport where you made sort of a sub-statement this morning?

A Yes.

Q I think you mentioned that the city had taken over this now?

A I understand that the city reimbursed the government for the cost. I was told that after I had written that.

Q Could you just --

MR. GARSIDE: The city pay one dollar. The Dominion Government have got the title.

MR. HAYES: They just took it over.

MR. DAVIES: And now the city is distributing the power at the Namao Airport, are they Mr. Garside?

MR. GARSIDE: Just to one central point, sir.

MR. DAVIES: Well, since that airport, Dr. Gaherty, is beyond the city limits, in anything you are suggesting to the Commission, I am assuming that you would be thinking in terms of leaving that service there with the city, is that right?

A Well, yes. Of course, that is one of the services that has worried us in the past.

Q And you would prefer to leave that, and that might be a subject of negotiation?

A Yes, I think that that should be a subject of

A (Cont.) negotiation.

Q I want to raise with you Dr. Gaherty the question of public safety in civil defence. In reading your brief, and keeping in mind that there are power interruptions.

A Yes.

Q And have been some in the City of Edmonton, and may be more, I had the thought that possibly from the point of view of public safety in civil defence that there might be a definite place for the viewpoint that we might in this area be far better off having two independent power distributors than merely just one. For example, if the City Power plant was put completely out of kilter, whether because of some defects there, or as a result of, let us say air attack, there would always be the probability that if we had another major distributor in the area that that service could be called on, and vice versa. We would have in the area two services. What would you think of that, drawing their power from two different sources, and if you had your plant out at Wabamun going we would actually have three independent sources, the possibility of three independent sources of power coming into the city. Would you care to make any comment on that?

A Yes. I think it would increase the reliability in the event of some widespread destruction, although I should qualify that by saying that the experience in England of bombing during the war, was that

A (Cont.) remarkably few power plants were knocked out by the bombing, and even in the cases that were, the plants were restored to operation in a very short time. The main machinery is massive, and unless it is a direct hit it isn't put out of commission for long, so possibly the importance of having duplicate sources of supply may be a little exaggerated. Of course, we would like to argue the other way, but I think that that is the situation.

Q Well, there certainly have been times in Northern Alberta, I believe when your system, where you have had to cut into the City Power system to serve the consumers north of Edmonton, are there not?

A Oh, it is very desirable to have the plants all interconnected, because when trouble in one plant occurs, then power can be brought in from the other plants. I was speaking more in terms of major disaster, bombing or something of that kind, the civil defence end when there would be so much damage done anyway that it would take quite a long time before full service could be restored.

Q In connection with the question of changing of highways or changing of plants, and it comes to the question of your lines having to be moved over, who pays the expense of that?

A I think we pay the expense unless our lines happen to be on private right of way along side the highway. We always pay the expense of moves if we are on public highways. I think that's correct. Yes.

Q Isn't the bulk of your distributing system contained within the farmers' fields in Northern Alberta?

A Nearly all the rural lines are in the farmers' fields, I understand.

Q So if it comes to widening of highways, that puts the onus on the highway authorities for widening the highways to compensate you for moving the line, wouldn't it?

A I think that would be the case. Perhaps Mr. Hansen --

MR. HANSEN: The rural networks are on farm lands, but our main transmission lines, high voltage ones fall on road allowances where it is possible and where they go in that direction, but on diagonal crossing ones we have private easements for our lines, or private rights of way.

Q MR. DAVIES: This question came up when the gas company was appearing here, and we didn't have satisfactory information on it at that time.

Mr. Gaherty, in connection with the submissions to this Commission of the Town of Beverly and the Town of Jasper Place, one point that they make in their brief is, that if they are taken into an amalgamated area, that they feel they are entitled to the same power rates and gas rates as the City of Edmonton. According to your submission your company has the exclusive franchise in these two areas?

A Yes.

Q I think the rate is higher at present in Beverly and in Jasper Place than it is in the City of

Q (Cont.) Edmonton. If that is so, would you care to make any comments to this Commission as to what might be done if anything by your company to put the domestic consumers in other rates in Beverly and Jasper Place on the same basis as the City of Edmonton?

A Well, our rates of course are all related to one another, and I don't -- of course it is the responsibility of the Public Utility Board in a way based on our recommendations, but we would hesitate to supply service in one area at less than the cost of providing service, because we have to charge higher rates in other areas. I think that is the real difficulty there.

Q Well, just thinking about how happy or unhappy some of these people might be in Jasper and Beverly.

A Yes.

Q If they become part of the City of Edmonton, and then they find that they haven't got the benefit of rates that are as low as Edmonton's.

A Yes. Of course, I am wondering why in the suburban area that is within the city limits, why those customers should be subsidized at the expense of the customers in the more densely settled area. I mean, I don't know how this suburban rate structure is worked, but for years both Calgary and Edmonton have been charging higher rates in what they call the suburbs. Now, whether that applies just outside the city limits; I rather think it applies inside the city limits where the density of population was

A (Cont.) rather low, but I'm not too familiar with the situation as it existed in the cities.

MR. MOFFAT: I am informed that with regard to Edmonton the dividing line is strictly the city limits.

A Yes.

MR. DAVIES: I am not saying, or formulating any opinion, Mr. Gaherty on the economics of the situation, and whether or not the rates should be lower.

A Yes.

Q But I know that point is going to come up.

A Yes.

Q And it has come up, and I am just wondering what your reaction is to it.

A Yes.

Q Could you tell me, could you give me any idea how those rates at present compare with the city, or would that involve a study of a lot of rates?

A Mr. Hansen might be able to answer that.

MR. NOLAN: I wonder if he might be sworn, Mr. Chairman, so that if he does interrupt the proceedings it would be on oath and on the record?

THE CHAIRMAN: Yes.

MR. BLACKSTOCK: The only difficulty, Mr. Nolan is that the reporters have on a previous occasion objected to two witnesses being in the witness box at one time.

MR. NOLAN: That I can understand. Perhaps, Mr. Commissioner Davies, would you defer that, and I will put Mr. Hansen in the box to give you

MR. NOLAN: (Cont.) those comparisons between those rates with which he is familiar?

A I would hesitate to promise that we would put the city rates into effect in the Jasper and Beverly areas. I mean, I think that is a question that would require pretty careful consideration, and I think it is also a question that the, it is a question of principle that the Public Utility Board should be consulted on.

MR. DAVIES: One other thing I was wondering about, Dr. Gaherty, in certain areas now beyond the present limits of the city the situation is, that the city has extended certain lines, and then you are operating in the same area?

A Yes.

Q Well, let's take the industrial area first, because there is some services on the east side of the city that are in that position, aren't there?

A Yes.

Q Is it your intention from what was said this morning that a line should be drawn, if a boundary of the City is extended that a line should be drawn, and it should be said, well, from now on that should be exclusive area of your company?

A That was my thought in regard to that. Possibly some exception should be made in regard to the heavy industries, the really heavy industries, but I think as far as the lighter industries and the domestic retail consumers are concerned, there should be only one utility serving in a given area.

Q Well, then, let's go out to Jasper Place, am I correct in assuming that the principle would be this, taking the west, that any population; let us assume that Jasper Place were taken into the City of Edmonton as part of the City of Edmonton; now, there is a certain boundary that runs north and south at present between Edmonton, the City of Edmonton and Jasper Place; I forget what the street number is. What is it?

MR. MOFFAT: 149.

Q MR. DAVIES: 149th Street. Would the intention be that the principle should be established that in any further population development west of 149th Street that that should be the exclusive province of your company, is that a sound interpretation of what you said?

A That is a sound interpretation. I mean, we wouldn't want to go in and develop a given area unless we were, could look forward to serving in that area over a long period of time, and that applies particularly to the industrial consumers. It isn't of the same importance in regard to retail consumers.

Q Then, could I go back to Calgary for a moment; you mentioned this morning that certain, that certain of these positions had arisen in Calgary where they buy their power off you wholesale and look after the distributing?

A Yes.

Q Do I understand that right now within the limits of the City of Calgary that there are certain

Q (Cont.) customers within the present boundaries of the City of Calgary which you are serving, that you are retailing to?

A There are no customers so far as I know within the present boundaries of the City of Calgary that are being served by us. We did serve for a long number of years the Calgary mill of the Canada Cement Company. The Calgary mill was not operating, but there were certain employees of the Canada Cement Company that got service from us through the Canada Cement Company.

Q And then, as the city boundary extensions have taken place, has come out into your territory, have you made a deal with the city to turn those services over to the city?

A No, but years ago, in view of our selling the city wholesale, we reached an understanding with the City of Calgary that any customers that could be served to better advantage from the city distribution system, we would not offer service to those customers, so that there hasn't been the same conflict in Calgary that has arisen here. There is no crossing of distribution lines in Calgary.

Q And then on page 15 of your brief, recommendation No. 2, "All operations of municipally owned electric utilities outside the limits of the unicipality, as constituted in 1950, should be under the jurisdiction of the Public Utility Board." Do you intend, Dr. Gaherty, in connection with that point to deal in any greater detail with this

Q (Cont.) other submission under all these other headings, "Purpose of Public Utility Regulation", "Regulation of Public Utilities in Alberta", "Regulation of Municipal Utilities in Alberta", "A Case for the Regulation of Municipal Electric Utilities Operated Outside Corporate Limits", and so on?

MR. NOLAN: I think I can answer that, Mr. Commissioner Davies by saying that Mr. Gaherty did not intend to deal more fully with that matter.

What we were attempting to do, was to gather together for the information of this Commission certain materials, and to save them the trouble of looking it up. To that end we did go into the concept of public utility regulations, and we also set out what in our opinion were the pertinent regulations of public utilities in Alberta, and the regulations of municipal utilities in Alberta, and we also set out the regulations of municipal utilities throughout Canada, and as far as we could get the regulations of those same utilities in the United States. I intended to offer these two exhibits, A and B they are as evidence if I may be permitted to do so, but it was not Mr. Gaherty's intention to go into those in any more detail than they have been mentioned in the present submission which he has just read, but we do hope that there are matters contained in those appendices which will be of assistance to the Commission.

MR. DAVIES: Thank you, Mr. Nolan, for myself. I would like to say that I have appreciated very much the way this has been set out. It is almost physically impossible for each member of the Commission to take all the statutes.

MR. NOLAN: Oh yes, of course.

MR. DAVIES: And find, go through them and pick out what is relevant and what isn't. I am sure this has taken a lot of time, and I am sure each member of the Commission has much appreciated all the work that has been gone to in connection with this matter.

MR. NOLAN: I am much obliged, sir.

MR. DAVIES: That's all, thank you.

THE CHAIRMAN: Mr. Hayes, have you any questions?

MR. HAYES EXAMINES THE WITNESS:

Q I would like to make a comment first, I would like to commend Dr. Gaherty and his company for giving some consideration to, we might say as you have termed it, the less fortunate customers such as the farmers. There are not too many who give too much consideration to those farmers, but I am wondering, insofar as business is concerned, how they are going to help those farmers. If when the industry creeps up some urban development takes place and bottles them up, how would you suggest that your company could help the farmers other than by way of taxation in some of the enterprises that might be located in the municipality?

A Of course, the only way we can help farmers is by bringing them electric service as cheaply as we can.

Q You could do that as a power company, but what would you say as to the petro-chemical plant, what could they bring to them?

A Well, what the petro-chemical plants do, is, by adding to population they create a domestic, a local market for farm products, and you don't run into the condition, or not so liable to during the depression where you had eggs selling at three cents a dozen. The trouble now is that most of the farm products go to the distant markets, like Liverpool, and so on, and when prices go down, and freight rates are relatively rigid, and of course the primary producer bears the brunt of the reduction.

Q Of course, wouldn't that be equally true whether the industry was in a rural area or in an urban area?

A Oh, yes, it would be equally true if the industry was in a rural area.

Q In other words, everybody would benefit from it?

A Everybody would benefit from it.

Q What I am interested in is how the farmer would particularly benefit from it.

A Yes.

Q In other words, as I visualize it, if the farmer is to be a farmer and his lot is to till the soil, as it were, is he to go on indefinitely and

Q (Cont.) perpetually killing the soil and can he look to no raise in his status in any event?

A Well, the raise in his status would, I suppose, come about by further mechanization and further labor saving devices which would enable him to, either to produce more or to increase the quality of his production, and so get the larger share of the pie.

Q Now, I am going to read you a section that the city proposes here, these are alternatives available; (a), it says, "to continue existing structure of local government supplemented by voluntary agreements between them to deal with particular problems", and you are suggesting that they deal with the power problem? In other words, by agreement you say that you are prepared to deal with the city by agreement of --

A Well, I think it is always better to deal with these things by negotiation if you can rather than for them to be dealt with by legislation or by the courts.

Q Could this be true of some other industry that might be affected in rural and urban, we will say?

A Oh, yes, I think that is true all around that the more, that matters can be dealt with by negotiation. Well, for instance, on, between the councils and the industries, probably the better, although I think one has to watch the question of unequal assessments so that, you don't want

A (Cont.) to develop a competitive attitude between different districts attracting industry at the expense of taxation.

Q But you are in favor of the principle of negotiation?

A Oh, I am in favor of the principle of negotiating wherever possible, the good old horse trading.

MR. HAYES: That's all.

THE CHAIRMAN: Mr. Commissioner Hayes, now that you have brought in the prospect of horse trading is quite satisfied with the evidence.

MR. HAYES: I am satisfied to leave it at that point.

THE CHAIRMAN: Yes, at that point.

A After a horse trade everybody is satisfied.

THE CHAIRMAN: Everybody is satisfied.

A But if it is by arbitration or something of that kind everybody is dissatisfied.

THE CHAIRMAN: May be.

A Or may be.

THE CHAIRMAN: Did you want to say something else, a further question?

MR. MOFFAT: There was just one small question I would like to ask the witness if I could.

THE CHAIRMAN: Yes.

MR. MOFFAT: The city electrical people have made a quick check over the noon hour as to the amount of the load that would appear to be on the lines of Calgary Power in the metropolitan area, and they, the information they get indicates that the load might be a little lower than the figure that

MR. MOFFAT: (Cont.) was quoted this morning. I would just like to ask if we could have that checked. I am not suggesting the figures were wrong, but I was just asking if it could be verified. I think the figure quoted was approximately 20,000 kilowatts.

THE CHAIRMAN: Well, Mr. Hansen will probably have that information. He is going in the box in a minute.

Are there any further questions now before we ask Mr. Nolan to qualify Mr. Hansen? All right, Mr. Nolan.

MR. NOLAN: Thank you Mr. Gaherty.

(The witness stands down.)

MR. NOLAN: Mr. Hansen, would you please be sworn?

DARREL ADRIAN HANSEN, having first been duly sworn, examined by Mr. Nolan, testified as follows:

Q Mr. Hansen, what is your position with Calgary Power?

A I am commercial superintendent.

Q And what is a commercial superintendent?

A Well, I look after the conduct of business concerning rate schedules, contracts for industrial services, the conduct of relations with our customers in general. I think that covers the field.

Q And how long have you been associated with Calgary Power Limited?

A Since 1928.

Q And in that year you graduated?

A From the University of Alberta in electrical engineering.

Q So that your whole professional career has been spent with this company?

A Yes.

Q Now, you were present in this room when Mr. Commissioner Davies raised some question as to the cost comparison for domestic services as between your company and those places supplied by the City of Edmonton. Now, are you able to assist this Commission in making a cost comparison?

A I have a cost comparison here which I used on a previous occasion in some negotiations which I have only three copies of here, but I have --

Q Where is the third?

A Here is one, here is the second and here is the third.

Now, I have 20 copies available which I will produce later.

First of all, this is a comparison of Jasper Place domestic rate which we have presently in effect with the Edmonton suburban regular rate, and the Edmonton suburban combination rate. The combination rate is a feature that has modification if a customer has a certain qualification by connected loads. This also includes a comparison with the City of Lethbridge, the City of Red Deer and the City of Vancouver. Reciting from it, a customer consuming one hundred kilowatt hours

A (Cont.) in Jasper Place pays $3.20. On the Edmonton suburban regular rate he would pay $4.18. On the Edmonton suburban combination rate he would pay $3.61 which is 41 cents higher than Jasper Place. On the Lethbridge rate, $4.01.

MR. DAVIES: Excuse me, can I interrupt you there; the city of Lethbridge operates and generates its own power, doesn't it?

A Yes, it does.

MR. DAVIES: It is engaged in the generation and distribution of its own power?

A That's correct.

MR. DAVIES: Thank you.

A The City of Red Deer, $4.05.

MR. DAVIES: Would you interrupt and tell us about them? Do they buy wholesale?

A The City of Red Deer purchase their power on a wholesale basis from us and retail it to their customers. The City of Vancouver pay $3.80. Moving over to 400 kilowatt hours of consumption in one month, the Jasper Place customer pays 7.70. The Edmonton suburban regular rate, $9.64. The Edmonton suburban combination rate, $7.41. Lethbridge $8.22. Red Deer, $9.45. Vancouver $8.05.

MR. NOLAN: Now, I think that was the information you wanted sir with respect to --

MR. DAVIES: Well, I would just like to ask Mr. Hansen a question or so arising from that.

MR. DAVIES EXAMINES THE WITNESS:

Q Now, take -- this is monthly consumption, isn't it?

A Yes.

Q One hundred there?

A Yes.

Q Would a person have to have an electric range or some other fairly heavy consuming domestic utility to burn one hundred, or would they use a hundred ordinarily with their lighting system in the average home?

A One hundred kilowatt hours can be consumed by the ordinary appliances used and modern lighting without any electric range.

Q And which one of these classifications would with an electric range most likely run into, in the ordinary home, the two hundred or four hundred?

A It depends on the number of persons in the family. If four persons are in the family it will take about 125 kilowatt hours to cook the food for that family, so that would bring it in between the two hundred and four hundred kilowatt hours. Depending on the size of their family.

MR. NOLAN: Now, you have another comparison --

MR. DAVIES: Excuse me a moment, Mr. Nolan. There is no objection to putting this in and having it marked.

MR. NOLAN: No, I hoped sir, that you would permit me to have it marked now, and perhaps each page will be given a separate number and I will undertake

MR. NOLAN: (Cont.) to have in the morning presented to the Commission and all members of counsel copies of it.

THE CHAIRMAN: You are suggesting two exhibit numbers, Mr. Nolan?

MR. NOLAN: Yes, I think it is better, sir, to avoid confusion.

THE CHAIRMAN: All right, Mr. McGruther, please?

MR. McGRUTHER: 147E is the next number.

MR. NOLAN: 147E.

THE CHAIRMAN: And is there any priority in these two, Mr. Nolan?

MR. NOLAN: Yes, there is, sir. The cost comparison for domestic service should come first and the comparison of the number of consumers by class of service should come second and should be 148E.

DOCUMENT ENTITLED COST COMPARISON FOR DOMESTIC SERVICE IS ENTERED AND MARKED EXHIBIT 147E.

DOCUMENT ENTITLED COMPARISON OF THE NUMBER OF CONSUMERS BY CLASS OF SERVICE IS ENTERED AND MARKED EXHIBIT 148E.

THE CHAIRMAN: Would you repeat the title of the second page again?

MR. NOLAN: Number of Consumers by Class of Service.

THE CHAIRMAN: Yes.

MR. NOLAN: And they, of course, are compared on the basis of what, domestic, commercial?

A And power.

Q MR. NOLAN: What does power mean?

A Rotating appliances.

MR. NOLAN: Well, now, perhaps you might explain what 148E is intended to demonstrate?

A This illustrates that on this comparison the following towns are named, Jasper Place, Beverly, Camrose, Lacombe and the City of Calgary. The comparison was to demonstrate the ratio of the number of commercial and power electric services in those communities.

The first column under domestic you will notice that 93.3 percent of the total number of consumers, electric consumers in Jasper Place are domestic. Only 5.9 percent of the commercial consumers, they only represent 5.9 percent of the total, and the power consumers .8 of one percent of the total number of consumers. Beverly runs in the same percentage area, 90.6 for domestic, 8.2 for commercial, 1.2 for power. We come now to Camrose where the domestic connections represent 79 percent of the total, commercial 16.9 percent compared with 5.9 in Jasper Place, and 8.2 in Beverly; and 4.1 percent compared with .8 percent and 1.2 in Beverly and Jasper Place. Jumping then to Calgary, 81 percent, 81.3 percent of the services are domestic, and 15.3 percent are commercial; 3.4 per cent are power.

A (Cont.) The purpose of this comparison is to demonstrate that the company does not receive as much revenue from its operations in Beverly and Jasper as it does in a normal community where there is a normal number of business places and power services. In other words, Jasper Place and Beverly are predominantly resident connections.

MR. ROBISON: The same principle would hold true with respect to Montgomery and Bowness, wouldn't it?

A Exactly.

MR. BLACKSTOCK EXAMINES THE WITNESS:

Q Mr. Hansen, as Mr. Commissioner Davies pointed out before, both Jasper Place and Beverly have stated in their briefs that if they are amalgamated with the City of Edmonton they then should be entitled to the same power rate as is presently in force in Edmonton. Now, could you give us some comparison; there is the Edmonton domestic rate, I know, and there are combinations and the like.

A I can give it to you for the two consumptions. I have it here. They are in a little different form. One hundred kilowatt hours in the City of Edmonton, $2.66. 200, $4.13 on the regular rate. $3.90 on the combination rate. Going to 300 kilowatt hours; I do not have four hundred here, $5.56, and on the combination rate $4.85. The 200 kilowatt hour consumer in Edmonton on the regular rate pays $4.13 compared with the 200 kilowatt hour consumer in Jasper Place, $4.70. Therefore,

A (Cont.) there is only a 57 cent differential on the regular rate, and it is 23 cents greater differential on the combination rate.

Q Then, I have some recollection, Mr. Hansen, of the provisions in your franchise agreement that there would be a variation downwards in the rate as the population increased.

A No.

Q The point I am making there is this, the population in Jasper Place and even Beverly have gone up in an astonishingly rapid rate. I wonder if those two divisions in those two particular franchise agreements, if there had been a recent population count to enable you to revise the current rate?

A The domestic rate started off lower than the reductions in the similar franchises in other towns involved, therefore, they enjoyed a reduction in the building up stage at the time when we only had 300 customers there. Those 300 enjoyed a rate that was lower than actually they were entitled to under similar circumstances.

Q That is compared with a town of comparable size?

A Yes.

Q But isn't that provision I mentioned in the Jasper Place and Beverly franchises, a revision downward on an increase in population?

A Our franchise covering services to Jasper Place was originally with the Municipal District of Stony Plain.

MR. NOLAN: The witness is looking now at our Exhibit B, Mr. Chairman and gentlemen.

A So it does not contain the clause for service charge and minimum charge reductions, for the reason that it started off with a rate that was a minimum achieved by that schedule. However, last year we voluntarily revised the commercial rate in the Town of Beverly, and the power rate. In the Town of Jasper Place, I beg your pardon.

MR. BLACKSTOCK: Yes.

THE CHAIRMAN: Mr. Nolan, we wish to mark these short ones, but not until we have disposed of those statements, or anything else --

MR. NOLAN: Well, you let me know, sir, and then I will tender them.

THE CHAIRMAN: Thank you.

MR. ROBISON EXAMINES THE WITNESS:

Q This may have been answered, Mr. Hansen, but I am not just exactly clear on it. Jasper Place and Beverly as well as Bowness and Montgomery, because of the lower power consumption in those areas provides less than a normal return, is that right?

A Yes, that's right.

Q And you have cited as a normal return, do I understand correctly --

A To illustrate that, sir, the Town of Camrose.

Q Yes.

A With sixteen hundred odd, I don't know the exact number, electrical connections returns to the

A (Cont.) company $2,000.00 a year more revenue than the Town of Jasper Place which has 3300 electrical connections, twice as many customers than Camrose.

Q Would that hold true proportionately with regard to Wetaskiwin?

A Yes, sir.

Q And Red Deer?

A Yes. There are no large industries in Camrose that would make the picture lop-sided.

Q In other words, you must have a certain minimum power, number of power outlets to make it worthwhile?

A A normal number.

Q A normal number percentagewise?

A Yes.

MR. ROBISON: Thank you, Mr. Hansen.

THE CHAIRMAN: Then, we may excuse Mr. Hansen.

MR. NOLAN: Thank you, sir.

THE CHAIRMAN: Thank you very much, sir. And then, Mr. Nolan, you will submit the other two exhibits?

MR. NOLAN: May I tender now as an exhibit what is called Exhibit A to the submission of Calgary Power and ask that it be given Exhibit Number 149?

MR. McGRUTHER: Correct.

THE CHAIRMAN: 149E.

MR. NOLAN: 149E.

CALGARY POWER LIMITED EXHIBIT A
REGULATION OF MUNICIPAL AND PUBLIC
UTILITIES IS ENTERED AND MARKED
EXHIBIT 149E.

MR. NOLAN: And then, sir, may I also tender as an exhibit Exhibit B to the submission of Calgary Power Limited as 150E.

THE CHAIRMAN: Mr. Nolan, let me ask you to go back to 149E, and while it is described as Exhibit A, we had better use the general title, Regulations of Municipal and Public Utilities.

MR. NOLAN: Yes.

THE CHAIRMAN: Yes, all right.

MR. NOLAN: Exhibit A is confusing because we have given it a separate number and it has a separate identity now.

THE CHAIRMAN: Yes.

MR. NOLAN: And then if the next document that I offer could be given number 150E, I would describe it as being a series of copies of franchises and permissive orders granted in the Edmonton area.

COPIES OF FRANCHISE AND PERMISSIVE ORDERS GRANTED IN EDMONTON AREA IS ENTERED AND MARKED EXHIBIT 150E.

MR. NOLAN: Now, I think that that is a complete set of all such orders and franchises, and for the record I may say that the Stony Plain franchise, now Jasper Place is to be found therein together with the franchise for the Town of Beverly and the franchise of the Town of St. Albert. The remaining orders are permissive orders, a number of which were granted by Mr. Commissioner Blackstock.

MR. NOLAN: (Cont.) They deal with the Municipal District of Strathcona, the Municipal District of Sturgeon, the Hamlet of Clover Bar, the Hamlet of St. Albert Trail, and such subdivisions as Whitecroft, North Belvedere, Strathcona Heights and West Jasper Place. If the Commission is looking at the map which we prepared of the transmission lines you will notice that those last mentioned subdivisions are colored yellow on that map. Thank you, sir.

THE CHAIRMAN: Mr. Garside?

MR. GARSIDE: I was just going to say that I have with me Mr. Cecil Monaghan who is the superintendent of the Electric Light Department, and I would like either now or after the adjournment to ask him to identify the rates of the City of Edmonton, and the information that I have already filed with the Board regarding customers outside the limits of the city.

THE CHAIRMAN: Do you propose to have Mr. Monaghan sworn?

MR. GARSIDE: Yes, sir.

THE CHAIRMAN: Yes. Well, then, somebody ask him some questions, so we will wait until -- you are not referring to this, this has already been entered as an exhibit?

MR. GARSIDE: That has already been entered, but I want it identified.

THE CHAIRMAN: 3:10, Mr. Garside.

Now, just one minute, I think -- is there any occasion for us to keep Dr. Gaherty and

THE CHAIRMAN: (Cont.) Mr. Nolan any longer. That has no bearing, what Mr. Monaghan is doing, or has it?

MR. GARSIDE: Well, I thought it might be on the record at this time because it has regard.

MR. NOLAN: We may remain then as interested spectators?

THE CHAIRMAN: We would be very glad if you would.

MR. NOLAN: Thank you, Mr. Chairman.

THE CHAIRMAN: But we will give you a formal excuse for remaining.

MR. NOLAN: Thank you.

THE CHAIRMAN: 3:10.

(At this point the Commission adjourned until 3:10 p.m. and reconvened.)

ALBERTA PROVINCIAL LIBRARY

MR. DAVIES: Mr. Chairman, I wonder if Mr. Hansen would just answer one question from where he is. Could you tell the Commission if, in the City of Calgary the rate schedule dealing with power rates within its own legal boundaries if they charge a higher rate where the density of population is less out towards their fringes.

MR. HANSEN:

A I can't answer that question, sir, I don't think they have any differential within their city limits but they do apply a 25% increase outside the borders.

Q Thank you.

MR. MOFFAT: Just for the sake of the record I might make this comment with respect to my questions at the end of Mr. Gaherty's evidence. During the intermission we have had a discussion with the Calgary Power people and the difference between the figures is reconciled, one was the billing and the other was in terms of a connected loan and we see that the two figures jibe so we are quite satisfied.

THE CHAIRMAN: Now then, Mr. Garside?

MR. GARSIDE: I would like to call Mr. Cecil Monaghan, the Superintendent of the Electric Light Department of the City.

CECIL MONAGHAN, having first been duly sworn, examined by Mr. Garside, testified as follows:

Q Mr. Monaghan, you are the Superintendent of the Electric Light Department of the City?

A That is right.

Q And how long have you been Superintendent?

A I have been Superintendent since January of 1950.

Q And were you working with the Department before that time?

A Yes, I started with the Department in 1940.

Q 1940. Prior to that Mr. Monaghan --

A Well, I graduated from the University in the spring of 1939.

Q What university?

A The University of Alberta.

Q And what degree did you have?

A Bachelor of Science in Electrical Engineering.

Q I am showing to you, Mr. Monaghan, Exhibit number 50-E which consists of various lists and documents and I first read from a letter dated January the 3rd, 1954, to Mr. McGruther, Secretary of the Royal Commission, a letter which states that your electric light power comsumers outside of the limits of the city served by the city system number 389. Would you verify that number?

A Yes, I would say that is correct.

Q Now, I also show you three pamphlets, one of which is marked The Electric Light Power Distribution System, Domestic and Commercial Rate Schedule; one is headed Electric Light Power Distribution, Three Phase Commercial and Industrial Power Rate Schedule; the third is Electric Light Power Distribution System Suburban Power Rate Schedule, I would like you to deal with them in the same order and explain the rates to the members of the Commission.

A Dealing with the Domestic and Commercial Rate Schedule, the yellow copy of the rates, the first rate noted

A (Cont'd) there is the domestic lighting rate and there is a note under the title which says:

"For private family use exclusively."

That is strictly a domestic rate for private families and is not intended to apply to apartment houses, rooming houses and that type of establishment, is only for family use.

The second rate schedule, is Domestic Lighting and Electric Range, is a special rate which is applied to domestic users where they have a 220 volt service and an electric range of four kilowatt capacity or over.

The two rates are quite similar, they are exactly similar until the consumption gets over 150 kilowatt hours.

Electric Water Heaters for Domestic Use, this is a rate which assists people where they have no gas in the home and they wish to heat water electrically and we give them the special rate in order to enable them to heat water at a reasonable cost.

Commercial Lighting applies to all consumers, stores, business houses etc. who take lighting service at 110 - 220 volts, any business in the city which takes a service at low voltage comes under the Commercial Light Rate for the lighting in that building.

Commercial Heating and Single Phase Power is the rate applied to small motors and appliances, for instance, in cafes they may have 220 volt toasters, motors with, single phase motors on fans and equipment of that type and they can put in a

A (Cont'd) separate meter and obtain the Commercial Heating Single Phase Power Rate on that meter.

Sign Lighting applies to ordinary signs that are out on the street, Hook Signs, signboards and so on.

Three Phase Power applies to any service supplied to three phase motors where it was needed separately in a building. The power must be supplied on 220 volts in order to obtain that rate. That is the summary of rates on the yellow schedule. On the white schedule, the first rate is a repetition of the Three Phase Power Rate on the previous schedule.

The second rate, Commercial Power, is obtainable by those consumers who take a service of 2300 volts and have a demand of 75 kva. or over. The commercial service covers an installation like a large department store, a large warehouse, any retail establishment which is considered commercial.

The Industrial Power Rate applies to industry where the principal operation in the building is manufacturing. The service again must be taken at 2300 volts, three phase, 75 kv. or over.

The Wholesale Power Rate applies to large industries who take power from us around 13,000 volts and their demand must be 200 kva. or over. Industries of that type are Canada Packers and Swift's, very large industries.

The blue schedule, Suburban and Farm Rate Schedule, the Suburban Domestic Rate applies to those

A (Cont'd) consumers who are on the very fringes of the city limits and generally their service is probably, amounts only to a service wire across the city boundaries or something like that, where the major portion of the distribution system is owned by the city. Again those customers can obtain a special rate, on Suburban Domestic, and Domestic Lighting and Electric Range Rate where they have an electric range installed and take a service in their house like 220 volts.

The Commercial Lighting and Single Phase Power applies to those customers similar to Commercial Lighting and Single Phase Power customers in the city, applies to single phase motors like toasters, as I say in cafes, and small appliances that operate on single phase 110, 220 volts.

The Three Phase Power Schedule is the same application as in the city but this rate is applied to customers who have three phase power installations outside the city.

The Farm Schedule applies to customers who are members of Co-operatives and are metered by the city to obtain their service through the distribution lines owned by the Co-operatives.

MR. DAVIES: May I interrupt you there, Mr. Superintendent, are there many in that category?

A I would say that the majority of our rural customers come into that category. I think the majority does.

Q That is have they got their own Co-operative formed around Edmonton for the distribution of power and you are furnishing them power?

A Yes.

Q Roughly speaking how many Co-operatives would there be?

A There are four different Co-operatives.

Q And could you tell us what direction they are from the city and what boundaries they are on out from --

A The Namao Power Co-op. takes service straight north of the city limits on 97th Street and they go roughly up to the south boundary of the airfield and east to 66th Street, two miles east, not quite as far as 66th Street, it takes the 82nd Street area but I believe the Calgary Power serves the 66th Street area. The Belmont Co-op. is a shorter line that operates north of the city limits on 50th Street, approximately three miles north. The Clover Bar Co-operative operates from north of the Village of Clover Bar very close to the east end of the Celanese Corporation south to that, oh, roughly the extension east from the .B.A. Refinery, the highway passes the B.A. Refinery. The Salisbury Co-operative operates from this point south, oh, approximately three miles south of that point, it would be south of the Cooking Lake Highway at the Salisbury store and roughly one mile south of that point.

MR. BLACKSTOCK EXAMINES THE WITNESS:

Q They are all small co-operatives so far as members are concerned?

A The schedule gives the numbers, suburban customers not members of co-ops. 152, Belmont Co-op. 61

A (Cont'd) customers, Clover Bar Co-op. 74 customers, Namao Co-op. 65 customers and the Salisbury Co-op. 34 customers.

Q And would it be correct to say that all those Co-ops. have been in existence for quite a number of years?

A Yes, I believe that the youngest, the newest Co-op. would be 12 to 14 years old now, somewhere in there.

Q They were formed before this present Rural Electrification Scheme came into effect.

A That is true.

MR. GARSIDE EXAMINES THE WITNESS:

Q I would just like you to identify this list which is a list headed: Electric Light and Power Customers Whose Premises Are Located Outside the City of Edmonton.

A Yes, this would be a certified list of our customers outside the city.

Q And the breakdown you have just given?

A Yes.

Q And now, you have heard the evidence given by Mr. Hansen in connection with the comparative rates in Edmonton and the Calgary Power Company in this area and what have you to say as to the rates, Edmonton rates as used by them, are they as set out there?

A I would say that he used the correct rate schedule in arriving at his figures.

Q Just one further point, it seems to me in the brief of the Calgary Power Company some reference was made to the city's refusal to extend power, I believe it was, to Jasper Place, was it, or Beverly, do you remember?

A The reference indicated more closely to Beverly, it wasn't strictly true as far as Jasper Place was concerned. At the time Calgary Power obtained the franchise negotiations were carried on by Jasper Place and both the City of Edmonton and the Calgary Power and Jasper Place at that time decided to take Calgary Power.

Q Thank you.

MR. BLACKSTOCK EXAMINES THE WITNESS:

Q That followed upon the refusal of the city to extend beyond a certain boundary in West Jasper Place and while it is still part of the municipality of Stony Plain.

A That is what led up to the question of franchise.

Q Yes, the city decided they had gone as far as it was going to go.

A The city policy at the time was that the city didn't feel they should spend the citizens' money outside of the city's boundaries.

Q Yes, I remember it very well.

A I imagine so.

Q MR. ROBISON; That was the principle, they shouldn't spend the citizens' money outside the city boundaries, is that correct?

A That is the, that was the policy of the city and the Board of Public Utilities Commissioners, I do not believe promoted the extension of the city utilities outside the city.

Q Would there be a resolution of the city council to substantiate that, Mr. Garside?

MR. GARSIDE: No, I don't think so, sir, but at one time that was the policy of the city council, perhaps not expressed by way of resolution but by actual practice.

Mr. DAVIES: I wonder if Mr. Nolan wants to question this witness?

MR. NOLAN: No, I think not, thank you, sir.

MR. HARRIES: May I have permission to ask him a question, sir?

THE CHAIRMAN: Yes, Mr. Harries.

MR. HARRIES EXAMINES THE WITNESS:

Q Mr. Monaghan I would like to ask you whether the acquisition of the industrial load in Strathcona would result in a more economic and efficient operation for the city power system?

A Yes it would, the type of load that the industries have, a high load factor, running from 70 to 80% is a very good load for any power system, either the city or the Calgary Power, it assists in reducing the overall costs of electrical energy.

MR. DAVIES EXAMINES THE WITNESS:

Q What is your total generating capacity at the power house at the present, Mr. Monaghan?

A Today is 90,000 kilowatts.

Q Have you any other units under construction?

A Another unit should be in operation in late 1955 which will raise that capacity to 120,000 kilowatts.

Q MR. ROBISON: Are you inferring from the answer to Mr. Harries' question that the city is now in the position to supply the industrial load in that

Q Mr. Robison (Cont'd): industrial area east of the city limits, present city limits?

A We would be by this fall, yes.

Q MR. DAVIES: You aren't in a position yourself to answer a question on policy, are you, Mr. Monaghan?

A No, that is, council are the only people who can answer for city policy.

Q MR. BLACKSTOCK: I suppose they take your opinions though?

A Sometimes I wonder.

Q MR. DAVIES: How do you feel as an electrical engineer and Superintendent of this quite important department in the city, how do you feel about the question of the desirability of having two major producers of power, electrical energy, producing it in different areas, having them in this general area and having inter-connecting facilities?

A The principle of having two power producing companies is always good, inter-connection is always possible, that is favoured by all large power generation systems all over the world.

Q MR. BLACKSTOCK: Basically you don't suggest there should be two power companies operating in the one area with duplication of capital costs and duplication of operating costs?

A No sir, that is a principle that we hope the Commission will clear up for us.

Q Do you mean that we should put either the city or the Calgary Power out of business so far as this area is concerned? Perhaps that is a question of policy you

Q (Cont'd) would rather not answer?

A I don't thing so.

THE CHAIRMAN: Mr. Garside, that is all that you wished this witness to bring to us in the way of information?

MR. GARSIDE: At this time, yes.

THE CHAIRMAN: Are there any questions by anybody else with regard to Mr. Monaghan's evidence? Thank you very much.

MR. GARSIDE: Thank you, Mr. Chairman.

(The witness leaves the stand.)

MR. DAVIES: Could I interrupt just a moment, Mr. Garside, who is it that is in a position to give evidence regarding the financial position of the Electric Light Department and its profits, of how much it is making and whether or not its rates should go down, having regard to how much it is making and so on, who is going to give that kind of evidence?

MR. GARSIDE: I think the proper person to call and I am going to call is Commissioner Menzies and perhaps Commissioner, call Commissioner Menzies.

MR. DAVIES: He will be in a position to deal then too with the point that has been raised whether or not the city owned utilities should be subject to the regulations, rates as set out by the Utility Commissioners.

MR. GARSIDE: And should give you the information.

MR. DAVIES: Q: In connection with the annual report of the city, in trying to segregate the power operations I notice that under one heading that the Electric Light Department and Distribution System shows, then below that

Q (Cont'd) in your annual report, the next heading is Power and Water Is Linked Up, how can the separate profit of the Power Plant of Edmonton and the Electric Light Department. be segregated from the Waterworks.

MR. GARSIDE: Can you answer that?

A The Power and Water, the Power Plant and Water Pumping Stations are operated as one Department but the financial statement of the city has put the Power Plant separate from the Water Pumping Station, the Water Pumping Station is one of the customers of the Power Plant.

MR. DAVIES: I personally haven't been able,Mr. Monaghan, tosegregate the two in studying the annual report of the city.

A The Electric Light Department statement is entirely separate from the Power unit.

Q Yes, I can see that. The next one is entitled: Power and Water.

MR. MOFFAT: Water Supply and Purification.

Q MR. DAVIES: Yes, what I would like to get at is there any way of, that I as a member of this Commission, can see how much money the Power Plant is making, apart from Waterworks, without having the Waterworks in it, Water Distribution?

MR. GARSIDE: I will certainly try and get the information for you, sir.

MR. BLACKSTOCK: Isn't it just this,that the Water Department is charged with the amount of power they use for the purposes of arriving at the net revenue?

A The Power Plant actually operates the Purification and Pumping Plant as the Waterworks Department.

Q Yes, and charges them with the amount of power they use.

A No, they charge them at least for the water, the water pumped and the capital investment in the Pumping Plant and the Purification Plant is carried by the Power Plant Department.

MR. DAVIES: I think it is page52, Mr. Moffat, would tell you a little --

MR. MOFFAT: I see one here, I was looking to see what else was available, I saw one there a minute ago, I read the heading from it.

A My understanding of the Power Plant, even though it doesn't show in the figures, is that the Water Pumping Plant does not make any money.

Q MR. DAVIES: Then could those two statements that are in the 1953 City Annual Report be amalgamated and could that be treated as the total power operations of the city?

A That would be approximately correct.

MR. GARSIDE: I will get those matters straightened up.

MR. DAVIES: You know what I am referring to.

MR. BLACKSTOCK: You will be charging against your profits of the Power Plant the amount of power that the Purification Plant used, you have cut down your apparent profits. It is like trying to say we make a profit on butter and we lose money on eggs but we make a profit on the combined operations. You charge that profit to the total capital, that is an improper

MR. BLACKSTOCK; (Cont'd) distribution, at least that is my humble conception.

MR. MOFFAT: Yes, it would be necessary to divide out both capital, also current revenue and current charges as between the two Departments.

MR. GARSIDE: To show the total picture, to show the total picture, but to show the actuality of each Department you take the capital expenditures, the operating costs, what depreciation and what revenues you get and your earning "X" percent per annum on the invested capital, I worked it out once but I was blasted by the press for doing it.

THE CHAIRMAN: Well, this brings us, I think, to the end of the hearing so far as the Calgary Power is concerned and the relationship of the city to the presentations that we listened to earlier in the day and I wanted to say to, started to say before to Mr. Nolan and Dr. Gaherty, as well as Mr. Hansen and other Officials of the Calgary Power Company that the Commission is very grateful indeed for their attendance here and for the information which you have given us. Thank you.

DR. GAHERTY: Thank you, sir.

THE CHAIRMAN: Now, this brings us to the presentation of the brief from the Town of Fort Saskatchewan. I think we have time for the presentation of the brief but whether we shall have time for the examination or not is something else again.

By the way, excuse me, pardon me, one minute, Mr. Brownlee, I promised you a chance to say something this afternoon

THE CHAIRMAN: (Cont'd) if you wanted to.

MR. BROWNLEE: I don't think so, thank you, Mr. Chairman.

THE CHAIRMAN: No, thank you very much, Mr. Brownlee. Then, who is representing the Town. Who is going to --

MR. PARK: The secretary of the Town will present the brief on behalf of the town.

THE CHAIRMAN: Yes, are you going to introduce him.

MR. PARK: Yes.

THE CHAIRMAN: Yes, thank you very much.

JAMES CLARK, having first been duly sworn, examined by Mr. Park, testified as follows:

THE CHAIRMAN: Now, then, Mr. Clark, you will carry on from this point.

MR. PARK: Mr. Chairman, I have ten copies of a plan to which reference is made in the submission of the town and which have, which has not been marked as an exhibit and I would like, if I might, at this time to have the same submitted as an exhibit.

THE CHAIRMAN: Yes, we better take this first and then perhaps, are they such that they could be just inserted in?

MR. PARK: I think they could be placed in the back of the brief.

THE CHAIRMAN: Yes, either by paper clip or paste or something. The number of the exhibit, Mr. McGruther.

THE COMMISSION SECRETARY: 151-E.

THE CHAIRMAN: 151-E and with it is the plan.

BRIEF OF THE TOWN OF FORT SASKATCHEWAN AND PLAN ENTERED AND MARKED EXHIBIT 151-E.

Q MR. PARK: Mr. Clark, you are the Secretary of the Town of Fort Saskatchewan?

A I am.

Q And did you on the instructions of the town council prepare a submission on the part of the town to the Commission?

A I did, yes.

Q And were the contents of the submission discussed by the town council?

A Yes, the brief was submitted to them for approval --

MR. ROBISON: Speak up, Mr. Clark, please.

Q Don't be afraid to speak up.

Q MR. PARK: The brief was submitted to the town council and was read over to the town council?

A Yes, it was.

Q Was the brief approved by the town council by resolution?

A Yes.

Q That is the brief that is submitted, that is recorded in the records of the Commission as Exhibit 151-E?

A That is right.

Q Now, would you proceed to read the submission to the Commission.

A This is a brief submitted by the Town of Fort Saskatchewan --

R-a
James Clark - Presentation of brief.

A "SUBMISSION OF THE TOWN OF FORT SASKATCHEWAN TO THE ROYAL COMMISSION ON METROPOLITAN ORGANIZATION

It is becoming commonplace in the Edmonton region that industries are deliberately locating their plants within the corporate limits of one municipality in order to take advantage of low property taxes but close enough to an established community to ensure good housing accommodation for its employees.

This has been admitted by the industries which have appeared before this Commission. These industries have also acknowledged a willingness to contribute financial assistance to alleviate the problems they create.

It is the submission of the town of Fort Saskatchewan that the only efficient and fair way to secure alleviation of these problems is for the industry to be within the confines of the municipality in which its employees reside.

It must be borne in mind at all times that there are groups of ratepayers who do not directly benefit from the industrial development but at the same time are called on to bear the additional tax burden following upon the necessity of extending the existing services to the new comers into the community. These people have every right to ask that

A (Cont.)

"the contributions of the industry to municipal government should be paid to the municipality which is required to incur the additional expenditure.

II. THE IMPACT OF INDUSTRIAL DEVELOPMENT ON THE ECONOMY OF FORT SASKATCHEWAN:

The year 1951 represents a turning point in the economic growth of the Town. In this year Sherritt Gordon Mines Ltd., started construction on its site immediately adjoining the corporate limits of the Town.

Prior to 1951 the Town had enjoyed a period of stability. Its population from 1945 to 1950 was as follows:

1945	1946	1947	1948	1949	1950
910	910	1002	1002	995	1002

There was no long term debt during these years.

In the year 1950-51, the Town took advantage of the passage of the Self-Liquidating Projects Act to construct a sewage and water system. This was financed by a loan of $162,803.00. The debt was to be retired in 20 years by annual payments of $9,916.54, blended principal and interest.

At the time this construction was instituted it was estimated that the Town would not be required to undertake any expansion of the systems then contemplated for a further

A (Cont.)

"20 years, i.e., the term of the debentures. By this time it was estimated that the Town would have reached a population of 2,500 and the maximum capacity of the system was based on this figure.

This situation has been fundamentally altered by the industrial development and in particular the construction of the Sherritt Gordon Plant.

III. THE EFFECT OF THE INDUSTRIAL DEVELOPMENT:

(1) Population:

Since the year 1951 the population of the Town has increased rapidly. The population table from 1951 to 1954 is as follows:

1951	1952	1953	1954
1010	1300	1650	2200 (est.)

It will be observed that since 1951 there has been a 100 per cent increase in the population.

It is essential to ensure orderly and efficient development of any town to plan for the future. The Town has been advised to plan for a population of 14,000 people by the year 1964. When it is remembered that it is necessary to plan utilities for at least 20 years in advance this figure would appear well within a safe range.

A (Cont.)

"(2) Housing Accommodation:

Due to the rapid increase in population all municipally owned land within the corporate limits of the Town has been absorbed for housing accommodation. In addition the Town has acquired a further 22 acres at a cost of $1,000.00 per acre, all of which will be required for housing in the year 1955. This latter acquisition, however, will only accommodate about 70 housing units. The present housing demand, calls for a total of 230 housing units. This demand follows from the fact that only 50 per cent of the Sheritt Gordon employees have been provided with housing and from the fact that the new Inland Chemical Company will require 80 homes. There is in addition at the present time a third industry on the verge of coming into this area.

The area which was considered adequate for the Town's needs for the next 10 to 15 years, in the year 1950, has thus been filled in a period of 3 years and the Town has had to purchase an additional 22 acres for 70 families which must be serviced. Within a year further land must be made available and serviced to meet the balance of the immediate demand. It is estimated that this will require a further 45 acres. This of course does not make any provision for the additional school

A (Cont.)

"and social services required for this development.

As of 1954, the capital cost of water and sewer construction totalled $340,903.00, i.e., the Town has expended an additional $178,100.00, since 1951 on sewer and water extensions alone. The greater part of this was incurred in connection with the influx of Sherritt Gordon employees. It is estimated that in the current year the Town will have to spend a further $75,000.00, to develop the 22 acres mentioned above.

However, the Town will in the current year or in the year 1956, have to make available for housing the land on the West of the Town now comprising a part of the gaol property. Should the provincial authorities refuse, as they have in the past, to transfer the necessary acreage to the Town, then only the area South-West of the Town is available for further residential expansion. The costs of servicing these areas will be discussed in the part following hereafter.

(3) Finance:

As Table II shows, during the past three years, the revenues have increased from $42,000 to $147,000, or by 350 per cent. Property tax, profits on sales of lots, government grants and service charges are

A (Cont.)

"responsible for this increase. Looking at the tax revenue by itself, it expanded, while the mill rate went down from 47 mills in 1950 to 42 mills in 1954 but this was offset to some extent by an increase in business tax in 1951 from 10 to 30 mills.

On the expenditure side nearly every item has increased markedly since 1950. Despite the fact that the Town spent almost $46,000.00, on public works, during the past three years most of which went for street and sidewalks, the overall situation was but moderately improved. The Town now has 5 miles of streets and about one-half mile of sidewalks. Very little has been spent on the improvement of recreational facilities. In view of the present financial position of the Town, these expenditures must be postponed for an indefinite time.

The impact of the industrial development on the Town's economy is clearly illustrated by its debt position. The debt incurred in connection with construction of the sewer and water system amounted, at the end of 1952 (after payment of the first installment of $8,211.02) to $180,203.24, principal and interests.

The per capita unmatured debenture debt which stood in 1950 at $164.22, increased

A (Cont.)

"in 1951 to $188.33, but in 1952 went down to $146.30. This downward trend would have continued but for the additional capital expenditures required for financing the extensions of public utilities to the new areas. In 1953, the per capita debt increased to $212.07, and in the past year declined to $180.17. (see Table IV). The fluctuations in these per capita averages have been caused by increases in population which varied from year to year. However, apart from these divergencies the relative debt burden has considerably increased between 1950 and 1954, and after the City of Edmonton, the burden is the highest in the Edmonton region.

There are several factors to account for the fact that Fort Saskatchewan has weathered the first impact of industrialization without any marked financial difficulties. These may be enumerated as follows:

(a) The Town had no long-term debt prior to 1950 and thus Council could tap this source of revenue;

(b) The enactment of the Self-Liquidating Project Act and The Capital Expenditure Loans Act by the Provincial Legislature enabled the Town to contract the necessary loans at the low rates of interest;

A (Cont.)

" (c) The Town was able to realize good profits on sales of municipal land over the past three years suitable for housing development which contributed about $69,000.00, to the Town's treasury;

(d) The new housing construction helped to boost the real property assessment;

(e) The school requisition has not markedly increased because of the industrial development in the Municipal District of Strathcona.

IV. FUTURE DEVELOPMENT:

During the current year the population of Fort Saskatchewan will reach 2,500 people, the number for which the sewage and water systems were originally designed. The same may be said of land required for residential purposes. There is, however, every indication that the present trend will continue and, therefore, the Town Council is anticipating serious difficulties which will definitely not be solved unless there is substantial reorganization.

It has been previously stated that the Town is expected to spend $75,000.00, in the current year on extending the sewer and water service to the 22 acre area. Any further residential expansion of the Town beyond this limit will require huge capital expenditures

A (Cont.)

"which must be borne by the Town at large.

Associated Engineering Services Ltd., estimate that the Town will have to construct a new sewer trunk line ($220,000.00), a new sewage disposal ($200,000.00), a water treatment plant ($200,000.00), an elevated water tank ($80,000.00), if the Town is to grow beyond a population of 2,500 people. All these funds in total, $700,000.00, will have to be borrowed. It must be added that this figure does not include the cost of the distribution system in the areas to be developed. Distribution of sewer and water in these areas is estimated at $3,300.00 per acre.

It is apparent that by 1956, the Town's debenture debt will probably reach the sum of $1,100,000.00, attributable to sewer and water facilities.

Public utilities are, however, only one aspect of the whole picture. The Town has insufficient recreational facilities, there is no hospital, there are no hard surfaced roads; sidewalks are inadequate. No provision has been made to meet parking problems in the business area.

The above described situation compels Fort Saskatchewan to face the bare facts. With the present assessment and tax revenue

A (Cont.)

"the Town cannot carry out this necessary development without putting the whole financial position of the Town in jeopardy. But, without these funds there is no way to provide adequate housing facilities for the growing population resulting from industrial development.

If the necessary funds cannot be obtained for these initial capital expenditures the result will be a freezing of the present orderly development and the Town will be compelled to suffer the chaotic effects of substandard fringe development.

It is, therefore, of vital importance to Fort Saskatchewan that its assessment be increased, in order first, to strengthen its borrowing powers and secondly, to secure a tax revenue which will enable it to meet all the financial requirements caused by the expansion.

It is also of paramount importance that the industries established or about to be established in the vicinity of the Town be brought within its corporate limits.

It is also of vital importance that the boundaries of the Town be extended to provide adequate land for industrial development and sufficient land for housing. The suggested boundaries are shown on the map to be submitted.

All of which is respectfully submitted.

"David Mackie"
MAYOR "

THE CHAIRMAN: Mr. Park, that is the map to which --

MR. PARK: That is the map, Mr. Chairman?

A Yes.

Q And if the Commission has time, we might point out the areas to which reference has been made in the sumission.

THE CHAIRMAN: I would be very grateful if you would do that because I am not able to locate these 22 acres and 25 acres that are referred to.

MR. PARK: Would you show the members?

A Yes.

Q Just bring it up before the Commission.

THE CHAIRMAN: If you would just intimate the --

A This is --

Q Having reference to these 22 acres?

A This 22 acres is this area here.

Q That is one.

A The 45 acres is that residential, reserved in this area here. (Indicating)

Q That is, whose property is that now, privately owned?

A Partly owned by the Provincial Government and partly privately owned.

Q Does it belong to the Provincial Government as part of the jail property?

A That is right.

MR. DAVIES: Mr. Clark, for the purposes of the record the 22 acres you referred to is the rectangular parcel of land that is immediately north of the golf course, is that right.

A Yes, that is right.

Q MR PARK: You are sure of the directions on that?

MR. ROBISON: Surrounded by these dots, is that correct?

A Pardon?

Q Surrounded by dots?

A Yes, that is correct.

THE CHAIRMAN: Yes.

Q MR. PARK: And that has been incorporated into the town?

A It is in the process of incorporation right now.

Q In the process of incorporation. Then there are these two other proposed areas on the south side of the river. One is the jail property which is, the town has not been very successful in its negotiations with the Provincial Government in an attempt to obtain it, is that correct?

A That is correct.

Q And then there is the other area to the south of that?

A That is true.

Q Then, in addition to that, the town wishes to obtain the area lying on the left bank of the river and shown as river lots, is that correct?

A That is true, yes.

Q The whole of the river lots on the left bank of the river.

MR. ROBISON: From 2 to 30.

MR. PARK: 2 to 30.

MR. ROBISON: And is that area, marked light industrial reserves, 15, 17, 19 and 21, is that to be included too.

A Yes, that is to be included.

Q In addition to the heavy industrial reserves, 1 and 3, is that correct?

A That is correct.

Q How many acres would that heavy industrial reserve be, approximately?

A I mean the proposed heavy industrial outlined, from the, the total --

Q Right north of the Sherritt-Gordon property?

A That would be approximately 600 acres.

Q 600 acres and how many acres would there be approximately in this light industrial reserve surrounded by those, yes, that is 15 and 17, how many acres would that be, around 800?

A Yes, you could say it would be in that neighbourhood.

Q Around 800.

THE CHAIRMAN: Well, Mr. Clark, what is the area of this portion north of the river, perhaps it isn't north, northwest or something, of the river, this area numbered from 2 to 30 in the way of river lots or whatever they are, the approximate area.

A The approximate area of the total area is the only figure that I have, it is an approximation of the whole area, is about 8, 3800 acres.

Q On the other side of the river from 2 to 30?

A I have no definite acreage of that portion on the north side of the river I only have of the whole area as a whole.

Q Yes, I see.

MR. ROBISON: It looks to be about 3000 acres, would you say?

A The north area, no, it would be about 50/50 of the whole acreage.

MR. DAVIES: Mr. Clark, could I ask you if any official of the Edmonton District Planning Commission was familiar with this map or has had anything to do with this map or have you had any assistance from them at all?

A No, we haven't.

Q Did you have any assistance from them in this question of marking out the light industrial reserve or heavy industry reserve or deciding that on the left side of the river or otherwise on the northwest that those lots numbered from 2 to 30 that that should be residential?

A No, we haven't submitted that portion of this in any way to them. I might add that the light industrial reserve and heavy industrial reserve south of the river is very, very generally the plan which was submitted in 1953.

Q That is this?

A That is right.

THE CHAIRMAN: But you haven't departed too far from the basic plan here, have you?

A No, we haven't.

Q MR. DAVIES: And was it on the northwest, let us call it the north side of the river that residential was laid out?

A There is nothing proposed at the present time, right across the river.

MR. PARK: If I might ask one or two questions of Mr. Clark.

THE CHAIRMAN: We should have allowed you to go ahead first, Mr. Park, I am sorry.

Q MR. PARK: Regarding the river lots on the left bank of the river, to 30, am I correct in saying that the Edmonton District Planning Commission has voiced no opinion on them whatsoever?

A That is correct.

Q And that, and behind the towns thinking that that area should be incorporated into the towns boundaries were what factors?

A Well, the main factor is that at the present time we have approached the Provincial Government for the fact that we do need a new bridge on highway 15 crossing the river to service the Town of Fort Saskatchewan and the council is of the opinion that that should come out of the downriver side to separate the main section of the town and the heavy industrial area at present, as this occurs then there is going to be a chance of residential and light industrial development to the north of the river due to the bridge being moved.

Q And on top of that is the town's ability to expand in any other direction, in fact, handicapped?

A Well, we didn't consider, the council didn't consider expanding any further to the southeast due to the proximity of gas wells within the corporate limits of the town.

Q And for that reason the town thought that it should have assurance, am I correct in saying that, that the land north of the river would be available for

Q (Cont'd) orderly development by the town, is that correct?

A That is correct.

MR. ROBISON EXAMINES THE WITNESS:

Q Am I correct, have you finished?

MR. PARK: Yes.

Q MR. ROBISON: On the map, 29, I direct your attention to that, it says proposed industrial area, is that outside the area that you would like to set up?

A That is the proposed residential area, I believe you, if you will read that again.

Q Yes, proposed residential area.

A Yes .

Q I beg your pardon, I meant proposed residential area, is that outside the bounds?

A That is, at present, outside the present existing boundaries of the town.

Q I was of the -- yes, go ahead.

A Well, we have it outlined in heavy blue lines to include that within the boundaries of the town.

Q I am sorry.

MR. PARKS: There has been a rapid calculation of the area on the north side of the river. I am advised that it is approximately 4200 acres.

THE CHAIRMAN: Now, Mr. Parks, if there are any other question which you would like to ask Mr. Clark just in the way of general information, before we, in the way of a general examination before we go into the cross-examination I wish you would do it now and then we will adjourn until tomorrow morning and begin

THE CHAIRMAN: (Cont'd) the cross-examination.

MR. PARKS: I think that the brief pretty well speaks for itself, Mr. Chairman, and that is all that we have to say at this time.

THE CHAIRMAN: Is that agreeable or do any members of the Commission wish to ask any more questions tonight?

MR. BLACKSTOCK: No, there is one piece of information I would want, it will be all right tomorrow and that is the amount of the town's borrowing power and to the extent that it has been exhausted, in other words, how much borrowing power have they left.

THE CHAIRMAN: It will be convenient for you to be here tomorrow morning?

A Yes, I will be here in the morning.

Q Very well then.

MR. DAVIES: There is a question I would like to ask, sir, it is in the way of information, in view of the fact that you are making a proposal that the Sherritt-Gordon Plant and assessments should be taken within the town limits, I think that we should have something in the form of a budget from you to show what the impact of that would be on your finances and taking that into consideration for myself at the present time, I haven't got very much idea about what the impact of that is. My recollection is that the Sherritt-Gordon plant costs about fifteen million and it is going on the M.D. of Strathcona rolls at about five or six million dollars, five million dollars, speaking from recollection only but I think we would like to have

MR. DAVIES (Cont'd) something showing what the budget would be like. If you had that plant within the town. That is one thing, the only other thing, I am only trying, asking you now, because it has to do with planning in regard to the property marked 2 to 30 on the north side of the river, I am correct in presuming, am I, Mr. Clark, that this area is a surveyed, and the number of them presently appear in the Land Title records more or less --

A Yes, they are.

Q Would you tell me is that more land, more or less occupied now as farm land and also by private owners?

A There is a statement from 14 to 27 the rest is predominantly farm land in the narrow strips.

THE CHAIRMAN: That is to the north?

A Yes, that is.

MR. DAVIES: That is all, sir, thank you.

THE CHAIRMAN: Then we ought to adjourn, I think.

MR. MOFFAT: Mr. Chairman, I wonder if we could have some indication of what the board's thought is: tomorrow?

THE CHAIRMAN: It is the intention of the Commission to complete this submission on the part of Fort Saskatchewan and then proceed with the brief of the municipal district of Strathcona and, we shall have that read and whatever examination Mr. Brownlee wishes to put in. Whether we get, by Friday at noon, to the beginning of the cross-examination I am not able to say, thank you.

MR. BROWNLEE: Mr. Chairman, I wonder if I might ask, I believe you indicated that the reporters prefer not to have two witnesses on the stand at the same time.

THE CHAIRMAN: Yes, we had that difficutly before and they found it very difficult to keep bits of evidence separate. Now, is that going to embarass you?

MR. BROWNLEE: Well, it changes somewhat my thinking as to the manner of preparation. You see, we had in mind that Mr. Harries as well as a municipal representative will be giving the evidence and it may be as we proceed through the brief, particularly on the cross-examination that a question could be referred to one or the other.

THE CHAIRMAN: Well --

MR. BROWNLEE: In a specific manner.

THE CHAIRMAN: This morning, Mr. Blackstock, I think, said in a case of that sort you will possibly adopt the question and the answer, get the information and we will be able to make it continuous regarding Dr. Harries or yourself, or whoever happens to be giving the evidence, Mr. Brownlee, I didn't catch quite what you said, Dr. Harries would be one of the witnesses and whom did you say would be the other, some representative of the council?

MR. BROWNLEE: Yes sir, we will have the Reeve.

THE CHAIRMAN: Pardon.

MR. BROWNLEE: We will have the Reeve.

THE CHAIRMAN: Yes, well, Dr. Harries will be reading the statement, no --

MR. BROWNLEE: No sir, we had intended that the Reeve

MR. BROWNLEE: (Cont'd) would read the statement.

THE CHAIRMAN: Very well, I am sure that we can so arrange it that Mr. Anderson and Dr. Harries, that he can get any information of a technical nature that he may need from you or Mr.,or Dr. Harries as he goes along, I don't think there will be any difficulty about that, you remember that that was the subject of numerous comments today.

MR. BROWNLEE: Quite, sir.

MR. DAVIES: Mr. Chairman, there is one point I want to raise, the city had related the thoughts today that a question of a new map that is to be given the Commission, naturally we would like to have it before us, at least by the time of the Strathcona submission should come up so that if we need --

MR. MOFFAT: Do you wish copies of the map or do you mean you wish a memorandum setting out precisely --

MR. DAVIES: I want to advance this one step further, when you gave us that original map you had it divided into areas, you gave us, with the population densities in each area. Now we have information indicating the total area has been changed, now we want to have the population, did you have in mind giving the Commission now as your final statement the similar type of information you had when you originally declared those areas and file about eight different statements with us.

MR. MOFFAT: Yes, but the thought that was, that would be presented when the city comes to present their final material. Now, it would be quite possible to put in immediately a memorandum which would simply specify exactly where those boundaries are and have that filed as an exhibit, if you wish.

MR. DAVIES: I would think we would want that.

THE CHAIRMAN: We talked about that the other day, Mr. Moffat, I am afraid I was the person who was responsible for stating we would be satisfied with a memorandum, now I am, after looking at this for a couple of days I am of the opinion that I

THE CHAIRMAN: (Cont.) would like to have your Planning Department have my copy of the map, well, no, not my copy, I am afraid it will have to be another copy, in which the boundaries would be set out, as in the brief, with say any other information.

MR. MOFFAT: That definitely will be done. I am afraid the time factor will prevent it being done by adjournment date, even of Friday, because there is a fair amount of drafting involved there but the memorandum could be put in immediately.

THE CHAIRMAN: You better do that and we will do the best we can with the memorandum.

MR. MOFFAT: The map could be done and possibly distributed next week some day but for the interested parties it is a matter of time, purely drafting to get the copy.

MR. HARRIES: With your permission there is one point that caused us a certain amount of difficulty in connection with the brief pro forma, I hear that there is certain evidence to be now filed and not read on which there has been no examination dealing with certain costs of the Edmonton proposal and it is rather difficult for us to prepare, with accuracy, a precis of the costs based upon the information that we can get from the records and information from our own facilities and study so that I just suggest this to the Commission that it might expect us to put in a more accurate information if the City of

MR. HARRIES: (Cont.) Edmonton financial information was on the record and that there had been examination on it. I mention that only to indicate that there are certain of our exhibits which are going to suffer from that lack.

MR. MOFFAT: I don't want to prolong the discussion but we definitely propose to do it either way, at the wish of the Commission or in the alternative to provide the information unofficially and informally to their representatives subject to later going on to examine, whichever way you wish.

THE CHAIRMAN: Yes, will that be of any use, Dr. Harries.

DR. HARRIES: With respect, sir, I would rather have it on the record so we know that we are dealing then with definite figures.

THE CHAIRMAN: That is all right, we will just have to get it when we can. In the meantime I would like to ask you, do you not think that for to-morrow morning we ought to ask Mr. Gertler to come over? Yes, Mr. McGruther if you could get in touch with Mr. Gertler you could ask if it would be convenient for him to come over. I understand, Mr. Park, that the District Planning Commission had not been consulted in the preparation of this plan or its extension. --

MR. PARK: That is my understanding.

THE CHAIRMAN: Or the general proposal as to the new area.

MR. PARK: That is my understanding, Mr. Chairman.

THE CHAIRMAN: Well, I think the Commission would like to hear you finished at any rate, well then it is 9:45.

(At this point the Commission adjourned until Thursday, January 13th, 1955.)